PERSI's Mission

To provide our members and their beneficiaries
with reliable, secure, long-term retirement,
survivor and disability benefits
as specified by law.

To assist our members in planning a secure retirement
by providing high-quality, friendly service,
retirement education and information.

This PERSI Member Handbook is a general summary of the benefits provided by the Public Employee Retirement System of Idaho. The handbook is intended to give you a general idea of what your benefits are and to acquaint you with the PERSI system. IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. Nothing within this handbook creates an entitlement. Information in this handbook is based on 2002 law. Benefits are based on the law in effect at the time of your termination from employment; thus, some information found here may not apply in specific cases. If there is any discrepancy between this publication and the law, the provisions of the law will prevail.

Idaho Code

The laws and rules governing PERSI may be found in Title 59, Chapter 13, Idaho Code. For legal definitions, please refer to PERSI's Statutes and Rules, available from any PERSI office or at **www.persi.state.id.us**.

Benefits and membership requirements for members of the Firefighter's Retirement Fund (who are covered under a separate plan) are explained in Title 72, Chapter 14, Idaho Code.

HANDBOOK REVISION 7-1-2002

If you have any questions about PERSI, call or e-mail us or visit our Web site.

Boise Office

Serving Ada, Adams, Boise, Canyon, Elmore, Gem, Owyhee, Payette, Valley and Washington counties.

Telephone	Mailing Address	Office Address
1-800-451-8228	P.O. Box 83720	607 N. 8th Street
208-334-3365	Boise, Idaho 83720-0078	Boise, Idaho 83702-5518

Coeur D' Alene Office

Serving Benewah, Bonner, Boundary, Clearwater, Idaho, Kootenai, Latah Lewis, Nez Perce and Shoshone counties.

Telephone	Mailing/Office Address
1-800-962-8228	2005 Ironwood Parkway
208-769-1474	Suite 142
	Coeur d' Alene, Idaho 83814

Pocatello Office

Serving Bannock, Bear Lake, Bingham, Blaine, Bonneville, Butte, Camas, Caribou, Cassia, Clark, Custer, Franklin, Fremont, Gooding, Jefferson, Jerome, Lemhi, Lincoln, Madison, Minidoka, Oneida, Power, Teton and Twin Falls counties.

Telephone	Mailing Address	Office Address
1-800-762-8228	P.O. Box 1058	850 E. Center, Suite D
208-236-6225	Pocatello, Idaho 83204	Pocatello, Idaho 83201

E-Mail

If you know the name of the person you are e-mailing, use their first initial and up to seven letters of their last name plus **@persi.state.id.us**. For example, Executive Director Alan Winkle's address is **awinkle@persi.state.id.us**.

If you don't know who to contact, e-mail our "front desk" and we'll forward your question to the right person: **fdesk@persi.state.id.us** .

Web Site

Find us on the web at **www.persi.state.id.us** or look for Public Employee Retirement System or PERSI under the State Government Agency Index on the State of Idaho's homepage at **www.state.id.us** .

Choice Plan 401(k) Phone

For information on your PERSI Choice Plan, call toll free **1-866-ID-PERSI**.

Table of Contents

Your PERSI Plans

Retirement Security for our Members Since 1965

The Public Employee Retirement System of Idaho (PERSI) is a $6.5 billion retirement plan designed to provide secure, long-term pension benefits for employees who choose careers in public service.

PERSI activities positively affect the lives of all Idaho citizens. The system's members and beneficiaries receive direct benefits through retirement, disability, and death benefit programs. Taxpayers benefit by having a more motivated public workforce and by having public service retirees providing for their own retirement rather than depending on public welfare programs.

For our first 35 years, PERSI was a traditional Defined Benefit Plan. This is called your Base Plan. In 2001 PERSI added a Defined Contribution Choice Plan 401(k) to your Base Plan.

The Choice Plan was the result of a Gain Sharing program for PERSI. Because PERSI was overfunded, we were are able to share excess earnings with our members through Gain Sharing. In years when PERSI has earnings above what is needed to fund the system, distributions may be made to members, retirees and employers. See Gain Sharing, page 44 for more information.

With the combination of plans, you have the best of both worlds – the security of the traditional Base Plan and the opportunity to direct your own investments and make voluntary contributions in the Choice Plan 401(k).

Base Plan

Because the Base Plan is a defined benefit plan, the lifetime allowance you receive at retirement from this plan is not directly dependent on the amount of money you contribute to PERSI. The Base Plan is a qualified tax-deferred plan under IRS Code Section 401(a).

Choice Plan

The Choice Plan was begun in 2001. It allows you to voluntarily contribute to a 401(k) account and to direct your investments among a variety of investment options.

As a defined contribution plan, the amount available to you at retirement from the Choice Plan 401(k) depends on your Gain Sharing payments, your voluntary contributions, and the investment earnings on those funds.

PERSI History

PERSI was created in 1963 by the Idaho Legislature with funding effective July 1, 1965. PERSI membership is made up of some 650 public employers throughout the state and their employee members. PERSI has some 60,000 active members, 18,000 inactive members and 23,000 retirees or annuitants receiving benefits.

By law, agencies of the State of Idaho and school districts are PERSI members. Political subdivisions such as county and city governments, water, sewer and health districts, libraries and more have also elected to join the Retirement System.

Members of the Teacher's Retirement System of Idaho and all other eligible school employees became PERSI members in 1967.

Two of five municipal Police Officer Retirement funds have also joined PERSI. The other three are being phased out with police officers hired since 1969 becoming PERSI members.

The Firefighter's Retirement Fund merged with PERSI in 1980. Paid firefighters who were members of the original system retain their original benefit entitlement, while those hired after October 1, 1980 are PERSI members.

Quality Benefits

PERSI offers a variety of valuable benefits to our members. These include:

- Base Plan Retirement Benefits
- Choice Plan 401(k)
- Disability Benefits
- Death Benefits
- Gain Sharing
- Cost of Living Adjustments (COLAs)
- Portability of Funds

Base Plan Retirement Benefits

The PERSI Base Plan is designed to provide pension benefits to career public employees. The longer you work for PERSI employers, the greater your retirement Base Plan benefit will be. And although you may not plan on being a public employee your whole career, if you belong to PERSI as little as five years you will receive a lifetime benefit at retirement. And that five years need not be all at once or with one employer. Some 650 employers across the state belong to PERSI. You may find yourself working for a city, then the state, and then maybe a highway district at different points in your career. Frequently we hear from people who didn't think they would be at their place of employment for more than a few years, but who end up staying a long, long time. The average length of service for PERSI members is about 10 years, and this increases every year. The average length of service for a PERSI retiree is over 18 years.

The Value of Your Benefits

After your home, your PERSI Base Plan benefits may very likely be your greatest financial asset.

The value of your Base Plan benefit is not merely the amount of contributions in your account, the value is actually far greater. Here's how: **When you retire, PERSI will pay you every month for as long as you live,** and if you choose a Contingent Annuitant (CA), **after you die your CA will continue receiving a benefit for the rest of his or her life.**

You "make back" every dollar you put into your PERSI Base plan within about your first 3 1/2 years of retirement. For instance, say you put $60,000 into PERSI during your career. If your monthly benefit is $1,500, you will receive your $60,000 back in just over three years. But, we will continue paying you that $1,500 (plus yearly Cost of Living Adjustments – COLAs) every month for the rest of your life. If you are retired for another 30 years, you will receive another $540,000 from PERSI (plus COLAs). It would be very hard to find another investment with such a secure, long-term return.

Choice Plan 401(k)

Many private companies have 401(k) plans for their employees to save for retirement, but a 401(k) for government employees is very rare. PERSI went to great lengths to obtain legislative and IRS approval for our 401(k) plan. We did this because we know that a 401(k) is an excellent way for you to save on your own for retirement or large financial needs. Some of the big advantages of the 401(k):

- your contributions are tax-deferred until you withdraw them at retirement,
- your taxable income is reduced, so you'll pay less federal taxes while you are contributing,
- you may take loans from your account,
- you choose how much to invest, and may select from a variety of investment options

For more information on the Choice Plan 401(k), see page 14.

Disability Benefits

Besides a retirement benefit, your contributions are also providing you with disability "coverage." If after five years with PERSI you become totally disabled and are not able to continue working, you may receive a lifetime disability benefit. About 65% of PERSI members end up receiving lifetime retirement or disability benefits from PERSI. Disability Benefits are discussed further on page 35.

Death Benefits

When you die, PERSI offers valuable financial protection in the form of death benefits. If you die with 60 or more months of credited service while active or inactive, and you have named your spouse as your sole beneficiary, PERSI will offer your spouse the choice of a lump sum payment of two times your contributions plus interest, or a monthly allowance payable for his or her lifetime. If you named other beneficiaries to share the death benefit with your spouse, your beneficiaries may waive their right to a lump sum death payment which would allow your spouse to receive a monthly allowance for his or her lifetime. Death Benefits are covered more on page 41.

Gain Sharing

Gain Sharing is new as of 2000 and is a potentially valuable benefit. In years when PERSI investments do exceptionally well you may receive a Gain Sharing payment into your own individual PERSI Choice Plan account. This could potentially mean you receive several hundred or thousand dollars in years when there is Gain Sharing. See page 44 for more information.

COLAs

PERSI applies a Cost of Living Adjustment (COLA) to retirement benefits effective March 1 each year to help keep payments equal with inflation.

All PERSI retirees currently maintain 100% purchasing power because of the COLAs. This means that retirees' benefits are worth 100% as much as they were the day they retired—even if they retired 30 years ago. Most private sector retirees receive no cost of living adjustments at all, so over time, their purchasing power drops considerably. For more on COLAs, see page 50.

Portability of Funds

Your contributions are always yours. If you leave PERSI-covered employment, you may withdraw your money, plus interest (although tax penalties and withholdings apply), or you may roll over your money and interest to an IRA or another qualified plan, and still use it to fund your retirement.

If you leave one PERSI employer and keep your money with us, and later go to work for any of the other 650 PERSI-covered employers, you retain the service earned in your previous job. All service you earn while working for PERSI employers is automatically combined for you.

Your Retirement Board

PERSI is directed by a five-member Retirement Board. Individuals on the Board are appointed by the Governor of the State of Idaho for terms lasting five years. These appointments are subject to Senate confirmation. State law requires that two members of the Board be active PERSI members with at least ten years of service. Current Board members are:

Jody B. Olson
Chairman
Term Expires July 1, 2007

Susan K. Simmons
Term Expires July 1, 2004

J. Kirk Sullivan
Term Expires July 1, 2006

Dennis L. Johnson
Term Expires July 1, 2005

Pamela I. Ahrens
Term Expires July 1, 2003

Board’s Fiduciary Duty Of Loyalty

The primary duty of the Retirement Board and PERSI staff, as fiduciaries, is that of loyalty, or acting with an “eye single” to the interests of the members as a whole.

As trustees of the plan, the Retirement Board acts in a fiduciary capacity on behalf of the members of the fund and their beneficiaries. The Board is required to discharge its duties for the exclusive benefit of members of the fund, consistent with the governing provisions of the plan.

Board's Areas Of Responsibility

The Board is responsible for:

- Overseeing the fund’s investment activities. This includes hiring investment managers and setting the asset allocation and funding policy.
- Approving proposed legislation.
- Reviewing and approving disability retirement applications.
- Setting contribution rates.
- Determining annual Cost of Living Allowances (COLAs) for retirees.
- Determining Gain Sharing distribution amounts, if any.
- Reviewing and adopting actuarial assumptions.
- Overseeing PERSI’s administrative activities, including approving PERSI’s annual budget.

The Retirement Board does not have the authority to approve changes to PERSI’s benefit structure. The Idaho Legislature, as Plan Sponsor of PERSI, is responsible for determining PERSI’s benefit structure. They alone may pass legislation to change retirement benefits. The Board does have the authority to set contribution rates needed to fund the system and to establish Gain Sharing distribution amounts, if any.

The Board may submit legislation to facilitate the administration of the plan, to clean up problems with existing statutes, or to enable better customer service.

The Board does not submit legislation affecting the plan’s benefit structure. Interested constituent groups may independently propose legislation affecting the benefit structure.

PERSI’s Board will not support or oppose legislation submitted by constituent groups. PERSI’s Board and staff will provide any information and technical support required for the legislature to vote on legislation. The Board would, however, as a part of its responsibility to the system’s members, oppose any proposed legislation which would financially or structurally weaken the retirement system .

Board Meetings

Retirement Board meetings are generally held the fourth Tuesday of the month beginning at 8:30 am, at PERSI's Boise office, 607 North 8th Street. One meeting each year is held in another Idaho city. Meetings are open to PERSI members and the public. If you would like to attend a meeting, you may want to call first to confirm date, time and location.

PERSI’s Executive Director

While the Board governs the general operation of the system, the daily administration is delegated to a full-time director appointed by the Board to serve as its executive officer. The Executive Director is responsible for employment of the retirement office staff and for the routine operation of the system within the scope of the law and the fund’s rules and policies.

Executive Director
Alan H. Winkle

Membership

Choice Plan Eligibility

The Choice Plan is available to anyone eligible for membership in the PERSI Base Plan.

Base Plan Eligibility

Any eligible employee working for an employer member of PERSI automatically becomes an active member of the Base Plan. By Idaho law, you automatically become a member of PERSI's Base Plan if:

- Your employer belongs to PERSI, AND
- Your employment is for five or more consecutive months, AND
- You normally work 20 hours or more per week, or are a teacher who works half-time contract or more, OR
- You are an elected or appointed official receiving a salary for five or more months.

There are special requirements for certain city and county employees. "Seasonal or casual" city and county employees "whose employment is dependent on weather **and** growing seasons" must have more than eight months of service to be eligible.

You are NOT eligible to join PERSI if:

- Your employment period does not total five consecutive months;
- You are providing service to a PERSI employer as an independent contractor;
- You are provided employment in a public program benefiting yourself;
- You are an inmate of a state correctional institution,
- You are a student at a state college or university, and employed at the same school when the employment depends on maintaining student status;
- You are making contributions to the U.S. Civil Service Commission under the U.S. Civil Service System Retirement Act; or
- You are an employee of a city or county working eight months or less whose employment is dependent on weather and growing season.

New hires at Boise State University, Idaho State University, Lewis-Clark State College, University of Idaho, Junior Colleges, or the office of the State Board of Education should check with your human resources office about membership in PERSI or ORP.

Department of Labor

If you have credited service in the Idaho Department of Labor (formerly the Department of Employment) retirement plan, check with the DOL retirement coordinator about possible benefits under that plan.

Base Plan Eligibility Changes Since 1965

Employment prior to July 1, 1965

Documented Idaho public employment normally in excess of 20 hours per week for at least five calendar months during a year.

Employment from July 1, 1965 to June 30, 1976

Same requirements as above, AND the employer must have been participating in PERSI. Contributions were required. From July 1, 1965 through June 30, 1971, there was a 12-month waiting period before contributions were required. Eligible employment during the waiting period may now be credited if contributions for this time, plus interest, are paid to PERSI before retirement. School teachers who did not contribute to the Teacher's Retirement System between July 1, 1965 and July 1, 1967, or who withdrew their contributions for that period, cannot receive credit for employment during that two-year period.

Employment since July 1, 1976

Same requirements as for the period from July 1, 1965, except that employment must be for at least five consecutive months.

Employment since July 1, 1990

Same requirements as for the period from July 1, 1976, except that hours worked must normally be 20 hours or more per week.

Membership Categories

There are two types of PERSI membership:

- General Member
- Police Officer and PERSI Firefighter (firefighters hired on or after October 1, 1980)

The two membership types are differentiated by Idaho Code and have different benefit structures and retirement requirements. They also have different contribution rates. Generally, police/firefighter members may retire earlier but pay for this with higher contributions.

Membership Status

Active

You are an active member of PERSI as long as you are working for a PERSI employer and meet eligibility requirements. Active members earn service toward retirement in PERSI .

Inactive

You are an inactive member if you stop covered employment but leave your contributions in PERSI.

Vested

Vesting establishes your right to a guaranteed future monthly Base Plan retirement benefit without additional service. You are vested when you acquire 60 months of service. Once vested, you may cease PERSI employment at any age, hold your membership by leaving your contributions in PERSI, and claim a monthly lifetime retirement benefit when you meet at least minimum retirement age. Your benefit will be calculated under the formula in effect on the date of your last contribution.

Credited Service

You accrue one month of service for each calendar month you work as an active member of PERSI. A calendar month is one in which you are employed 15 days or more.

You may earn a maximum of 12 months of service for any calendar year. You cannot exceed one month of service per month even if you are employed in more than one public job at the same time. You must be paid for at least 20 hours per week, or if you are a teacher on contract, you must have at least a 50% contract. Overtime does not earn additional credited service.

Your total credited service is one of the factors in the formula used to determine your Base Plan benefit amount when you retire. It is the sum of your membership service, any prior service, any eligible military service, and disability service. Be sure these are included in your PERSI record; they could increase the amount of your retirement benefit.

Your service must qualify as eligible employment to be credited. Eligible employment after July 1, 1965 is considered membership service.

Prior Service

Service before 1965: PERSI began operations July 1, 1965. If, prior to that date, you worked for a governmental entity within Idaho, you may be eligible for prior service credit. The employment must have been for more than 20 hours per week for at least five calendar months during a year (15 days or more each month). Contributions are not required for prior service.

You must apply for prior service credit if you were NOT working for the employer when they joined PERSI.

Example

Joan worked as a teacher from 1962 to 1964, and then left to raise a family for eight years. When she returned to teaching in 1972, she found out that her school district had joined PERSI in 1965 while she was unemployed. Joan should contact PERSI to obtain credit for the years she worked before 1965.

Military Service

For PERSI purposes, "military service" is any active duty in the United States armed forces, including the national guard and reserves, which interrupts your PERSI service.

Your PERSI contributions cease when you leave PERSI-covered employment.

You may earn PERSI credit for the period while you are on active duty. You do not have to pay contributions to receive credit for eligible military service.

You may earn PERSI credit for the period while you are on active duty if:

- you begin service within 90 days of leaving PERSI-covered employment, and
- you return to PERSI employment within 90 days of release from active duty.

Military service may not exceed five years if it is at the convenience of the U.S. government, or four years if you voluntarily extend your duty.

Military service does not include any period of active duty which ends in dishonorable discharge, or any period in which you could have chosen to discontinue active duty.

Disability Service

Disability service is the total number of months between the date you became disabled and the date you would normally have reached Service Retirement Age. The time is automatically credited to you when you are approved to receive a PERSI disability retirement. After adding disability service, total credited service may not exceed 360 months. See Disability Retirement, page 35.

Service Earned During Leaves

Medical Leave

If you are on authorized paid sick leave, normal employee contributions are deducted from your salary and your employer pays their required contributions. You continue to earn service credit as long as you remain an eligible employee receiving pay representing 20 hours or more per week. You must work, or be in payroll status, at least 15 days per calendar month to accrue one month of service credit. When you are on authorized unpaid sick leave (such as that for the federal Family Medical Leave Act which allows 12 weeks of unpaid leave for medical purposes), no service is earned, but your PERSI benefits are "preserved," meaning you will not lose any credits already earned.

Worker's Compensation

You earn service credit if, while drawing workers compensation benefits, you are receiving salary representing 20 hours or more per week and are making contributions to PERSI. If you are out of pay status and are receiving only workers compensation benefits, you will not earn PERSI service credit.

Vacation Leave

If you are on authorized paid vacation leave, employee contributions are deducted from your salary and your employer pays their required contributions. You continue to earn service as long as you remain an eligible employee. You must work, or be in payroll status, at least 15 days per calendar month to accrue one month of service credit.

Personal Leave

No service is given for an educational or non-paid personal leave of absence, or for time off due to a strike.

Sabbaticals

For teachers or university faculty taking a sabbatical, service can only be earned for the leave if you receive at least one-half contract salary and continue contributions during the sabbatical. Be aware that if the sabbatical occurs during your base period (see page 22), it may affect your final average monthly salary which may lower your retirement benefit.

Your Contributions to PERSI

Your employer will take a percentage of your gross salary from your paycheck every pay period, and will transfer that money, along with an employer contribution, to PERSI. The rate of your contribution is, by state law, a percentage of the employer contribution rate.

The employer contribution rate is set by the Retirement Board based on system benefit levels, the number of members, the age and average life expectancy of those members, and the system's funding status.

Your employee contributions go into a Base Plan account credited specifically to you. You earn interest on your Base Plan account. Your funds may be withdrawn only if you cease employment and forfeit the credit accrued. You cannot borrow from your Base Plan account.

Your contributions are tax-deferred until you or your beneficiary receive a separation, retirement or death benefit. Federal tax is computed on your salary after your contributions are deducted, lowering your taxable income.

When you retire, you "make back" every penny you paid to the PERSI Base Plan within about the first 3.5 years of retirement.

Contributions made by your employer are not paid specifically for you, are not credited to your account and are not refundable to you, your beneficiary or your employer. Employer contributions and investment earnings are placed in a pooled reserve to fund all future benefits.

If you leave public employment, whether or not you qualify for a pension, you may take a separation benefit consisting of your contributions plus interest.

Contributions made by your employer are not refundable to you. When you retire, part of your lifetime benefit will be funded by the contributions your employer made.

Voluntary Contributions

Choice Plan 401(k)

You may make voluntary contributions to your Choice Plan 401(k) account and direct how those funds are invested. Check with your payroll office or call toll-free 1-866-ID-PERSI to sign up.

We strongly encourage you to participate in this voluntary plan as your PERSI Base Plan and Social Security were never intended to provide you with your entire retirement income. They are just two legs of the retirement "footstool," together providing between 50 - 95% of the amount you'll need for a financially secure retirement, depending on your income. In addition to these two forms of retirement income, you should be investing and saving on your own. The earlier in your career you start saving, the better off you will be.

See page 14 for more information on the Choice Plan 401(k).

Base Plan

You may not make voluntary contributions to your Base Plan account.

Interest Earned on Base Plan Contributions

Interest is credited to your Base Plan account monthly. The interest rate is set annually, and is the same as the rate of return earned by the PERSI portfolio during the previous fiscal year. If the investment return for

Base Plan Contribution Rates as a Percent of Pay*

General Member	Police/Fire Member	General Employer	Police/Fire Employer
5.86%	7.21%	9.77%	10.01%

*** subject to change**

any fiscal year is less than a yearly average of 90-day Treasury Bills, interest will be at least equal to that T-Bill average.

The amount of money and/or interest in your Base Plan account is only important in the event of a lump sum separation benefit or death benefit payment. The amount of money and/or interest in your Base Plan account is not a factor in the calculation of your retirement benefit. All credited interest will be paid to you if you take a separation benefit or if a lump sum death payment is made to your beneficiary.

If you are repaying separation benefits or delinquent contributions to PERSI, you are charged interest. Any interest you pay in these situations is credited to your account.

Investment Fund

All funds received by PERSI's Base Plan, including your contributions, and your employer's contributions, are invested to earn the best rate of return with acceptable risk. Investment policy and guidelines are determined by the Retirement Board in consultation with PERSI's professional investment staff.

Chief Investment Officer
Robert M. Maynard

PERSI's investment horizon spans decades as we need to fund benefits for members who range in age from 18 to over 100 years old.

PERSI's goal is to minimize the effect of external influences by diversifying among a wide range of asset classes and investment management styles, both domestically and internationally.

Equities – Stocks make us part owner of many companies worldwide. This includes **Real Estate** where PERSI owns shares in shopping centers, office buildings and other income-producing properties.

Bonds/Fixed Income – Whether financing a government or corporation's need for money, bonds yield a steady stream of income.

Cash Equivalents – Money market accounts allow PERSI accessibility to funds and flexibility.

An independent performance evaluation analysis of each money manager's investment results is conducted each quarter. More detailed information concerning allocations and managers is in PERSI's latest Annual Financial Report, available on our Web site.

PERSI's Asset Allocation

(Subject to Change)

Asset Class	Strategic Normal
U.S. Equity	54%
International Equity	15%
Total Equities	69%
Fixed Income	30%
Cash	1%

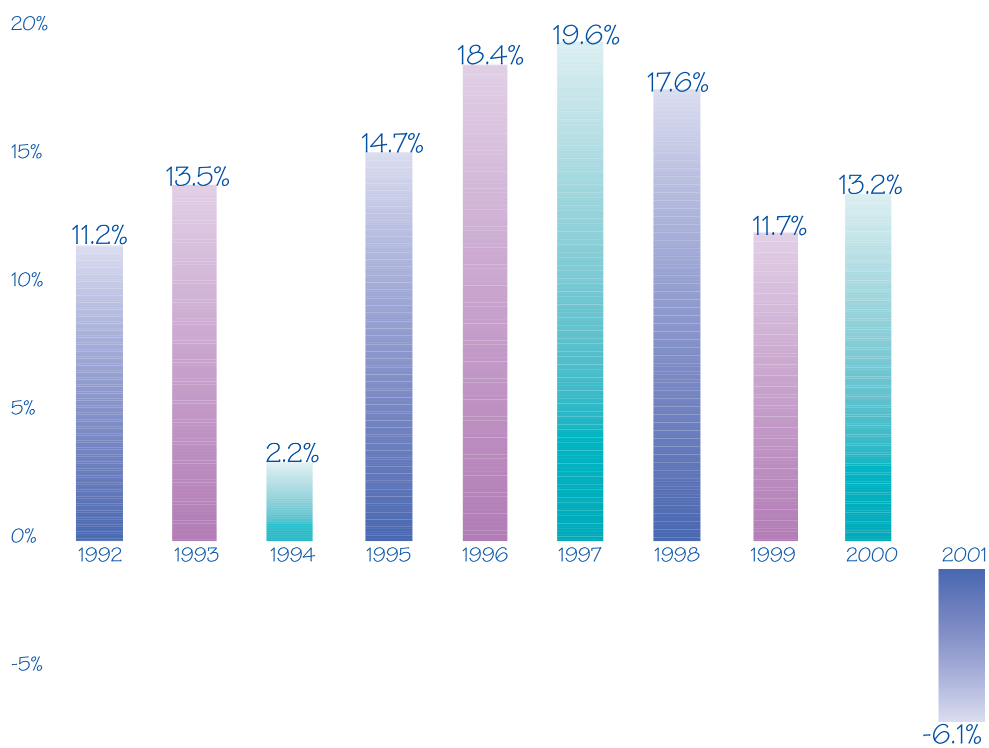
Top Sector Holdings (Equity)

(Subject to Change)

Technology	13.13%
Financial Services	10.44%
Health Care	8.38%
Consumer Services	8.35%
Capital Goods	5.18%
Consumer non-Durables	4.49%
Energy	3.48%

Investment Returns Last 10 Years

10-Year Average: 11.6%



Your Choice Plan 401(k)

What is the Choice Plan?

The Choice Plan is a 401(k) plan that allows you to voluntarily save and invest through simple and convenient payroll deductions.

You may save 1 - 100% of your gross income (including overtime) on a pre-tax deferral basis. Saving pre-tax means your contributions come out of your paycheck before your taxes are calculated, meaning you pay more to yourself and less to Uncle Sam.

Your employer MAY also contribute to your 401(k)—either on a regular basis or as one-time bonuses. Each PERSI employer handles this differently, so check with your employer to see if they offer any matching funds.

The Choice Plan may also include Gain Sharing contributions, if any, as determined annually by the PERSI Retirement Board. See page 44 for more information on Gain Sharing.

Mellon Bank is our private-sector partner for the Choice Plan, handling Record Keeping and most Choice Plan transactions.

Why Join the Choice Plan?

Joining the PERSI Choice Plan 401(k) may be one of the smartest moves you'll ever make. It is an easy way to accumulate money for the future.

Realistically, while the PERSI Base Plan is a great retirement plan by itself, you'll probably need more than the Base Plan and Social Security to be able to enjoy the kind of comfortable retirement that you dream of.

The best way to finance a comfortable retirement is by saving and investing now, while you are working. Some of the advantages of your Choice Plan 401(k):

- You save on current taxes,
- Your savings grow faster with tax-deferred compounding,
- Payroll deduction is convenient and easy,
- Your contributions are always 100% yours,
- You can take your money with you if you change jobs,
- It is never too early or too late to start.

The Advantage of Pre-Tax Savings

One of the most important features of the Choice Plan is its tax advantage. When you save with pre-tax dollars, you do not pay federal income tax on that money until it is withdrawn. So, you have the opportunity to earn investment returns on money that normally would immediately go to the government. Because your pre-tax contributions are deducted from

How Pre-Tax Saving Works

	Pre-Tax Savings In The Plan	After-Tax Savings In A Traditional Account Outside Of The Plan
Total Family Annual Pay	$ 25,000	$ 25,000
Your Pre-Tax Contribution At 10%*	$ 2,500	$ 0
Taxable income	$ 22,500	$ 25,000
Federal Tax Withheld**	$ 596	$ 971
Net Income	$ 21,904	$ 24,029
After-Tax Savings Outside Of The Plan	$ 0	$ 2,500
Spendable Income	$ 21,904	$ 21,529
Savings Advantage	$ 375	$ 0

This example is hypothetical and for illustrative purposes only. Actual taxes will vary.

** Federal taxes will be paid on pre-tax contributions upon withdrawal of funds but, in the meantime, you will have earned investment returns on them. You do pay Social Security taxes on your contributions to the Plan.*

*** Based on a married couple filing jointly with the standard deduction and two children in 2000.*

your pay before federal income taxes are figured, your current taxable income is lowered. You will pay less taxes out of your paycheck and you defer taxes on your contributions until you take a distribution.

Every Little Bit Counts

Every bit you save—no matter how large or small—increases your retirement resources. If you think you have plenty of time to start saving in the PERSI Choice Plan, here's something to think about.

It pays to start early. Even if you start small, over time your nest egg will grow. Let's compare the ending balances of two hypothetical participants at age 65 — one who began saving at age 21 and contributed for only 10 years and the other who began saving at age 31 and contributed until age 65. The illustration shows the significant advantage of starting sooner rather than later. Beginning today and saving for just 10 years will add up to more than if you wait 10 years, then save for the next 34 years.

As you can see, it pays to start early. The participant who started to save at age 21 and stopped at age 31 has $412,835 at age 65. The other participant, who started saving at age 31 and saved for the next 34 years, has less—$315,988.

Even if you're not in your 20's anymore, time can be on your side; so start now. Through compounding, the interest you earn on your investment goes on to earn even more. If you start now, you can put away a good sized nest egg.

Who is Eligible?

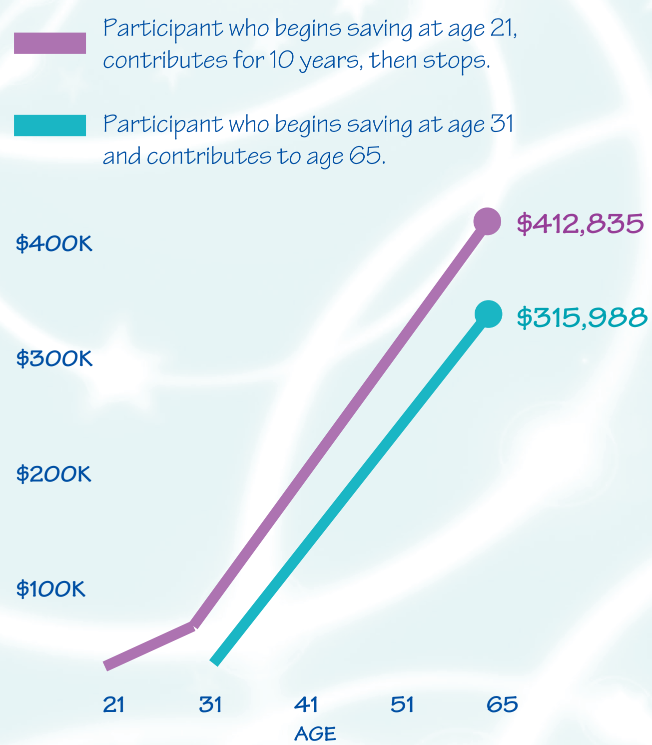
If you are eligible for membership in the PERSI Base Plan, you may immediately participate in the Choice Plan. (See Base Plan eligibility requirements on page 8.) You may also participate in the Choice Plan 401(k) if you are a member of the Firefighter's Retirement Fund (FRF), the Judge's Retirement Fund or the Department of Labor Retirement Plan.

Investment Options

The investment options in the Choice Plan give you great flexibility in building your savings portfolio. You may allocate your assets in 1% increments among eleven investment options. The options range from conservative Stable Value funds to more aggressive International Equity funds. For fund options, visit our Web site or call us.

You are automatically enrolled with a 100% investment election in the PERSI Total Return Fund (the Choice Plan's default investment option). The PERSI TRF invests exactly the same as the PERSI Base Plan portfolio. It is a diversified fund that generally invests 45 to 55% in US equities, 15 to 25% in international equities and 30% in fixed income securities. It includes primarily publicly traded stocks and bonds with some private holdings in real estate, private equity and commercial mortgages.

It Pays To Save Now*



*This hypothetical illustration assumes an annual salary of $30,000, an 8% investment return per year with monthly compounding and a 6% participant contribution. Returns of actual investments will vary.

You may leave your funds in the default TRF, or you may choose among the other ten investment options.

Note: Securities are not FDIC-insured. They are not bank deposits, bank obligations or bank-guaranteed. They pose investment risks, including the risk of principal loss. Past performance is no guarantee of future results. Share price and investment returns fluctuate and an investor may receive more or less than original cost upon redemption.

Enrolling in the Choice Plan 401(k)

You may request a Choice Plan Enrollment Kit at any time by calling the Choice Plan numbers. The kit includes a Salary Reduction Agreement form, fund summary sheets describing your investment options, and information on the Plan.

To participate, you must complete a Salary Reduction Agreement. Contributions will begin as soon as administratively possible (usually the next payroll cycle).

You may defer from 1 - 100% of your salary each payroll period. The maximum contribution for 2002 is $11,000. This amount will increase in $1000 increments until 2006, after which it will be adjusted for inflation annually in $500 increments.

You must contribute at least $130.00 per year. No contribution may be less than $130.00 divided by the number of payroll cycles for the year—$2.50 per weekly payroll [$130.00 divided by 52 weekly payrolls = $2.50].

Although we allow you to contribute up to 100% of compensation, the actual percentage you may contribute is limited by other mandatory and voluntary salary reductions such as the PERSI Base Plan contribution, FICA, medicare, insurance, etc.

Your PIN Number is Important

After receiving your Salary Reduction Agreement, Mellon will mail you a PIN number for accessing your account. You will also receive:

- Instructions for using the toll-free voice response system or Internet to access account information
- A reminder to change your Investment Allocation if you do not want your contributions to be invested in the default PERSI Total Return Fund.

If you misplace your PIN number you may request a PIN number reminder letter via the Web site or toll-free number.

Record Keeping Fees

As long as you are an active PERSI member, PERSI will pay the record keeping fees for you. If you end PERSI-covered employment and decide to leave your money in the Choice Plan, you will be responsible for the record keeping fees (currently $30 annually).

Quarterly Statements

Each quarter you will receive a Choice Plan statement containing information on account balance, fund performance, contribution activity and more. PERSpectives, a newsletter with information on your PERSI Base and Choice Plans is included with each statement.

Changing Your Deferral Percentages

You may change your salary deferral percentage at any time by completing a new Salary Reduction Agreement form and submitting it to your payroll clerk. Upon receipt by Mellon, a confirmation will be mailed to you within two business days and the change will be effective as soon as administratively possible (usually the next pay cycle). This change cannot be made directly with Mellon because your employer needs to know how much to deduct from your paycheck.

Changing Your Investment Elections

You may make investment election changes on how future (not yet deducted) contributions will be invested at any time. You may select among the 401(k)'s eleven fund options via the toll-free voice response system, a Mellon Customer Service Representative, or the Internet.

All future contribution types (Voluntary, Employer or Gain Sharing) have the same investment election. Elections are made in 1% increments; fractional percents (i.e. 33-1/3) are not allowed. When you make investment election changes, Mellon will mail you an Investment Election Change Confirm within two business days.

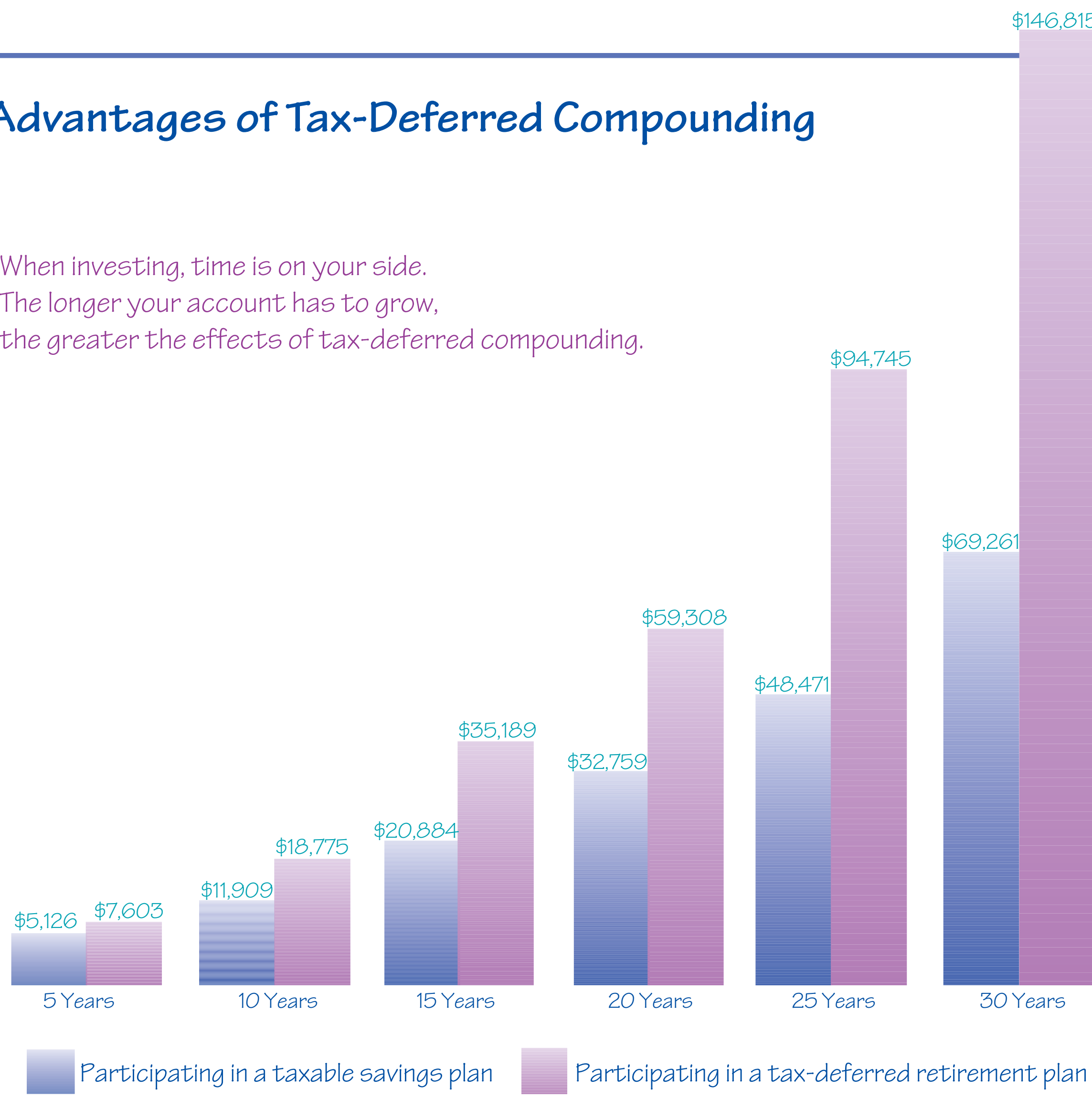
Making Fund Transfers

You may transfer your existing account balances among the eleven investment funds via the Choice Plan automated voice response system, the Choice Plan Web site, or a MEBS Customer Service Representative.

Transfers may be initiated 24 hours a day, 7 days a week (except via Mellon Reps). Requests received prior to 4:00 pm EST will be processed at that business day's closing net value. Requests received after 4:00 pm EST or on holidays will be processed at the next business day's closing net value. Transfers received after 4:00 pm on Fridays and weekends will be processed at the close of business on Monday.

The Advantages of Tax-Deferred Compounding

When investing, time is on your side.
The longer your account has to grow,
the greater the effects of tax-deferred compounding.



Assumes a 28% tax bracket, a constant 8% annual return, a $1,200 annual investment in the tax-deferred retirement plan (pre-tax) and an $864 annual investment ($1,200 before taxes are withheld) in the comparable taxable plan. This example reflects federal income taxes only. This illustration is hypothetical and does not represent the performance of any particular investment. Your results may be more or less. Retirement assets will be taxed upon withdrawal, and there may be a 10% federal tax penalty for withdrawals made prior to age 59 1/2.

Making Catch-Up Contributions

If you will be age 50 or older in 2002, you may make additional catch-up contributions of up to $1000 for the year. This amount will increase in $1000 increments until 2006, after which it becomes subject to indexation.

Rollovers into the Choice Plan

You may rollover balances from your prior employers' eligible retirement plans {401(a), 401(k), 403(a), 403(b), and 457} or pre-tax IRAs, provided the balances qualify for tax-free rollover treatment. Rollover contributions must be in cash; contributions in-kind (in the form of shares) are not permitted.

Taking Loans from Your Choice Plan Account

While your PERSI Choice Plan account is intended for retirement, loans are permitted for any reason during employment. You may have only one outstanding loan at a time from the Choice Plan. The minimum amount you may borrow is $1,000. The maximum amount that you may borrow is the lesser of 50% of your account balance excluding Gain Sharing amounts, or $50,000. Inactive members may not take a loan.

Loan Repayments

Loan repayments are made via salary (payroll) deduction, and are credited to your account according to your investment allocation. If no investment allocation has been made, repayments will be invested in the default PERSI Total Return Fund.

The interest rate for all new loans is the Prime Rate plus 1%, as published in the Wall Street Journal on the first business day of each month. The repayment period may be up to five years for a general purpose loan and up to ten years for the purchase of a primary residence.

Defaulting on a Loan

If you default on your loan, your unpaid balance is considered taxable and will be reported to the IRS. You will be liable for the federal income taxes on this amount. You will receive a Form 1099 the following January for the unpaid amount.

Paying a Loan in Total

You may pay off an outstanding loan in full at any time. Partial loan repayments in amounts different than the regularly expected loan repayments are not allowed.

To pay off a loan in total, call PERSI's Choice Plan department. After contacting your payroll department to see if any payments are pending, we can let you know the exact amount for the full payment.

Making Withdrawals While Employed

You may make In-Service withdrawals of your Choice Plan funds as follows:

Hardship

A hardship withdrawal may only be taken for relieving an immediate and heavy financial need for these reasons:

- payment of post-secondary tuition;
- unreimbursed medical expenses;
- purchase of a primary residence; or
- to prevent eviction or foreclosure of your primary residence.

To receive a hardship withdrawal, you must first exercise all other loan or withdrawal options, including a Non-Hardship In-Service Withdrawal. The withdrawal may only include your pre-tax contributions. Gain Sharing contributions are not available for a hardship withdrawal.

A hardship withdrawal may not be rolled over, but is not subject to the 20% federal withholding tax. You may be required to pay a 10% IRS penalty for early withdrawal on the hardship amount (if under age 59 1/2) in addition to regular income taxes.

If you do take a hardship withdrawal, you will be suspended from making employee voluntary (pre-tax) contributions to the Choice Plan for six months.

Inactive members may not take a hardship withdrawal.

Non-Hardship

A non-hardship rollover withdrawal can be made for any reason. This withdrawal option is limited to Rollover balances only and is not available to inactive participants.

A rollover withdrawal is subject to a mandatory 20% federal income tax withholding unless it is rolled over to an eligible retirement plan. It also may be subject to a federal 10% early distribution penalty if you are under age 59 1/2.

In-Service Transfers to the PERSI Base Plan
Funds from your Choice Plan account may be transferred to the PERSI Base Plan to repay separation benefits, waiting periods or delinquent contributions. You must be actively working to begin such a repayment. If you have already started a repayment agreement through payroll deduction, you may not do an in-service transfer. See page 39 for more information on repaying Separation Benefits.

24-Hour Choice Plan Account Access

You may access your account information 24 hours a day by calling the voice response system or by visiting the Choice Plan Web site. You may change your investment allocations, transfer balances, request a loan or withdrawal and change your PIN number. You may also look up fund prices and fund performance, link to other investment sites and use retirement calculators that can help you plan for the future.

The voice response system are available 24 hours a day, seven days a week. To speak with a customer service representative, call the voice response system between 7 am and 6 pm MT, Monday through Friday.

Automated voice response:
Toll-free 1-866-437-3774
(1-866-ID-PERSI)

Customer Service Representatives
Toll-free 1-866-437-3774
(1-866-ID-PERSI)
Monday - Friday 9 am – 8 pm EST

www.persi.state.id.us/choice.htm

Military Service and Your Choice Plan Account

You may make up your voluntary pre-tax contributions to the Choice Plan 401(k) missed while on qualified military service if you return to work within 90 days of release from active duty. You may make up any amount up to the limit not used during the applicable year. For example: If the annual limit was $11,000 and you contributed $2,000 before your military service, you may make up $9,000 for the year.

You have three times the period of military service or up to five years, whichever is less, to make up the contributions. Such contributions do not count against annual contribution limits during the make up period.

You may be eligible to receive employer contributions and PERSI gain sharing while you are on qualified military service. To be eligible for any gain sharing distributions during your service, make sure that your employer sends a copy of your orders to PERSI prior to your leave of absence.

If you took a loan from your PERSI Choice Plan 401(k) and are in the process of repaying the loan, your repayments may be suspended during any period of qualified military service. Once you return from active duty, payments will resume.

Additional Savings Accounts

In addition to PERSI's Choice plan, your employer may offer other tax-deferred personal retirement vehicles, such as 401(k), 457 (deferred comp), or 403(b) (tax-sheltered annuity) plans.

You may also want to consider an Individual Retirement Account (IRA) or other savings or investment vehicles.

We encourage you to join the Choice Plan 401(k) because we feel it is advantageous for you to do so—particularly because PERSI pays your record keeping fees while you are working. Should you choose not to join the 401(k), however, we would really like to see you participate in another employer plan or IRA. You are the one who will reap the financial benefits.

Choice Plan Payment Options at Retirement

The full value of your account is available to you if you retire. Depending on your individual circumstances, you may choose from a number of payment options including:

- a lump sum;
- monthly installment payments;
- a rollover to an eligible retirement plan {401(a), 401(k), 403(b), 457 or pre-tax IRA};
- purchase of Base Plan service;
- leaving your assets in the plan; or
- a combination of options.

If your account balance is more than $5,000, and you are retiring, disabled, a spouse beneficiary, or if you have attained the Choice Plan's Normal Retirement Age (50), you may choose any of the following options or a combination of options. If your account balance is $5,000 or less, or you have not attained the Choice Plan's Normal Retirement Age (50), you may not choose installment payments, but may choose any of the other options or a combination of them. Options are based on your account balance on the date you request a distribution.

Purchase Base Plan Service

You may convert all or a portion of your Choice Plan account to purchase service under the PERSI Base Plan. To take advantage of this option, you must be retiring and must have completed the necessary "Purchase of Service" paperwork within the 90-day period preceding the date of retirement.

Lump Sum Payment Directly To You

Any amounts payable that are eligible for rollover distributions will be subject to federal income tax withholding of up to 20% and applicable state income tax withholding. You may also incur a federal 10% early distribution penalty if you are under age 59 1/2. Distributions that are not eligible for rollover generally will be subject to a 10% federal withholding, unless you elect a different rate.

Leave Your Funds in the Choice Plan

You may leave your funds in the Choice Plan until a later date or until retirement. The funds will be subject to minimum distribution requirements when you turn age 70 1/2. By leaving money in the Plan, you defer paying taxes. You will be responsible for the annual record keeping fees to maintain this account (currently $30 annually). The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after you terminate or retire.

Rollover to an IRA or Eligible Retirement Plan

You may transfer your Choice Plan account balance via direct rollover into an Eligible Retirement Plan (401(a), 401(k), 403(a), 403(b) and 457) or Individual Retirement Account (IRA). By transferring the money via direct rollover, you defer paying taxes.

Installment Payments

You may receive monthly installment payments of your Choice Plan account. Monthly installments can be paid:

1) in a fixed monthly amount (not to exceed 120 months); or
2) in substantially equal payments over a fixed period of time not to exceed the joint Life Expectancy of you and your beneficiary.

Installment payments are available only upon retirement, attainment of age 50, disability, or you death if your beneficiary is your surviving spouse. This option is only available if the balance is more than $5,000. You will be responsible for the record keeping fees to maintain this account (currently $30 annually) during the time the installment payments are being made. The installment option may be affected by minimum distribution requirements when you turn age 70 1/2.

Choice Plan Payment Options if You are Not Retiring

For information on the payment options available to you if you stop working but are not retiring, see page 37.

Base Plan Retirement Benefits

Base Plan Retirement Eligibility

When you are eligible to retire depends on how many months of service you have, your age and whether you are a general member, a police officer/PERSI firefighter, a member with mixed general and police/firefighter service, or an elected or appointed official. There are several types of retirement, each with its own requirements for eligibility. The types of retirement are:

- **Service Retirement**
- **Early Retirement** (including the Rule of 80/90)
- **Disability Retirement**

Service Retirement

Service Retirement Age is the age at which you may retire with a full, unreduced benefit. You may take service retirement if you:

- End employment on or after reaching Service Retirement Age, AND

- Have 60 months of service.

OR

- Have 60 months of service, AND

- End employment before reaching Service Retirement Age and defer drawing your pension until you reach Service Retirement Age.

Service Retirement Age Requirements

- Age 65 ....General Member
- Age 60 ....Police Officer/PERSI Firefighter
- Age 60-65 Member with Mixed General and Police Officer/Firefighter Service

You are not required to take retirement when you reach Service Retirement Age. You may continue working as long as you wish. Your benefits continue to build as long as you continue to work. If you work past age 70, you may also qualify for a late-retirement increase .

You may take Early Retirement (retire before reaching Service Retirement Age) with an unreduced allowance if you meet the Rule of 80/90. (See page 24.) If you have mixed service, see page 32.

Service Retirement for Elected and Appointed Officials

If you reach Service Retirement Age while you are an elected or appointed official working less than 20 hours per week, you may take a service retirement even if you continue to serve as an elected or appointed official. If you do so, all contributions will stop and you will accrue no additional retirement credits. However, you will continue to draw your salary while drawing a retirement benefit.

Elected and appointed officials establish membership with five consecutive months of credited service.

You may retire with a full, unreduced benefit when you reach "Service Retirement Age." This is age 65 if you are a General Member, and age 60 if you are a Police Officer/PERSI Firefighter.

Base Plan Service Retirement Formula

Your Base Plan retirement benefit is based on your Highest Average Monthly Salary (gross salary) over a Base Period and your total Months of Service. A Base Period is the period of consecutive months during which you received your Highest Average Monthly Salary (Chart A). This is usually at the end of your career, but may have occurred earlier. The number of months used in a Base Period has changed over the years, improving the benefit formula. To find the number of months used in your Base Period, find what was, or will be, your date of last contribution (the date you stop working).

	Average Monthly Salary During Base Period (A)
x	Multiplier (B)
x	Months of Credited Service
=	Annual Benefit
÷	12 Months
=	Monthly Benefit

Your benefit will only be computed using the formula in Idaho law at the time of your last contribution. You must be working on or after the effective date of a formula for those factors apply to your benefit.

The formula used to calculate your Base Plan retirement benefits

Your Average Monthly Salary During Base Period (A)		________
Multiplier (B)	x	________
	=	________
Months of Credited Service	x	________
Annual Benefit	=	________
	÷12	
Monthly Benefit	=	________

Minimum and Maximum Benefit

Minimum – A minimum benefit insures that if you are eligible for service or disability retirement you will not receive less than a certain amount.

Maximum – There is a cap on the maximum your benefit may be. Your monthly retirement benefit may not be higher than your highest 36-month average salary.

A

Average Monthly Salary During Base Period (gross salary)

Your Highest Average Salary over this many Consecutive Months

Date of Your Last Contribution	Number of Consecutive Months of Highest Average Salary to use in your Formula
Up to September 30, 1992	60 month base period
October 1, 1992 to September 30, 1993	54 month base period
October 1, 1993 to September 30, 1994	48 month base period
October 1, 1994 and after	**42 month base period**

B

Multiplier

Date of Your Last Contribution to PERSI	Use this Multiplier if you are a General Member	Police/Fire Member
Up to September 30, 1992	1.667%	2.000%
October 1, 1992 to September 30, 1993	1.750%	2.075%
October 1, 1993 to September 30, 1994	1.833%	2.150%
October 1, 1994 to June 30, 2000	1.917%	2.225%
July 1, 2000 and after	**2.000%**	**2.300%**

Examples of Base Plan Benefit Calculations

These examples illustrate benefit formula calculations for members retiring at Service Retirement Age with no reductions. These may not reflect what your particular benefit might be. Each individual's retirement benefit is unique due to the variety of factors involved in the calculations.

General Member

Final contributions made on October 1, 1997.

	Average Monthly Salary (42 months)	$2,000.00
x	Multiplier	x .01917
x	Total Months of Credited Service	x 250
=	**Annual Benefit**	**= $9,585.00**
÷	12 Months	÷ 12
=	**Monthly Benefit**	**= $798.75**

General Member

Final contributions made on October 1, 2002.

	Average Monthly Salary (42 months)	$2,000.00
x	Multiplier	x .02
x	Total Months of Credited Service	x 250
=	**Annual Benefit**	**= $10,000.00**
÷	12 Months	÷ 12
=	**Monthly Benefit**	**= $833.33**

Police Officer/ PERSI Firefighter

Final contributions made on October 1, 1993.

	Average Monthly Salary (48 months)	$3,000.00
x	Multiplier	x .0215
x	Total Months of Credited Service	x 240
=	**Annual Benefit**	**= $15,480.00**
÷	12 Months	÷ 12
=	**Monthly Benefit**	**= $1,290.00**

Police Officer/ PERSI Firefighter

Final contributions made on October 1, 2002

	Average Monthly Salary (42 months)	$3,000.00
x	Multiplier	x .023
x	Total Months of Credited Service	x 240
=	**Annual Benefit**	**= $16,560.00**
÷	12 Months	÷ 12
=	**Monthly Benefit**	**= $1,380.00**

Base Plan Early Retirement

You may retire early (before reaching Service Retirement Age) if you:

1. Meet the minimum age requirement, AND

2. Have at least 60 months of service.

(Elected and appointed officials should contact PERSI regarding service requirements.)

You may retire early with an unreduced allowance if you are vested, meet the minimum age requirement and the requirements of the Rule of 80/90.

Rule Of 80/90

You may receive an unreduced retirement allowance if your years of service, plus your age equal 90 (General Members) or 80 (Police Officer/PERSI Firefighters). You do not need to reach the Rule of 80/90 to retire. As long as you have reached minimum retirement age, and have at least 60 months of service, you may retire.

However, if you retire before reaching service retirement age or the Rule of 80/90, your benefit amount will be reduced.

Early Retirement Reductions

If you retire before reaching Service Retirement Age or before reaching the Rule of 80/90, your retirement allowance will be reduced. The percentage of the deduction is based on the smaller of:

1. The number of years you are from Service Retirement Age at date of retirement, OR

2. How many years (also called "points") you are from reaching the Rule of 80/90.

When your Base retirement allowance is calculated, PERSI automatically figures in the reduction that is most advantageous to you. If you work beyond Service Retirement Age or the Rule of 80/90, your retirement allowance continues to increase.

Early Retirement Age Requirements

Member Type	Minimum Retirement Age	Rule of 80/90
General Member	**55** You may retire the first day of the month following the month you turn 55. For example, if you turn age 55 on May 15, you may retire June 1.	**Rule of 90** For an unreduced allowance, your years of service plus your age must equal 90.
Police Officer/ PERSI Firefighter	**50** You may retire the first day of the month following the month you turn 50. For example, if you turn 50 on March 22, you may retire April 1.	**Rule of 80** For an unreduced allowance, your years of service plus your age must equal 80.
Members with Mixed Service Both General Member & Police Officer/PERSI Firefighter service	**Between 50 - 55** The age depends on your ratio of general member to Police Officer/ PERSI Firefighter service. (See page 32.)	**Rule of 80/90** For an unreduced allowance, your years of service plus your age must equal 80 to 90 depending on your ratio of general member to Police Officer/PERSI Firefighter service. (See page 32.)

Early Retirement Reduction Examples

Rule of 90

Barbara is a general member with 30 years of service. She is 60 years old, and therefore is five years away from Service Retirement Age. However, she may retire under the Rule of 90 with an unreduced benefit because

30 years of service
+ 60 years of age
= 90

Less than Rule of 90

Kathy has 28 years of service as a general member and is 60 years of age. She is five years away from Service Retirement Age,

65 service retirement age
- 60 years of age
= 5

but she is only two points away from the Rule of 90.

28 years of service
+ 60 years of age
= 88

(90 - 88 = 2)

Kathy could work one more year adding both one year of service and one year of age to reach the Rule of 90,

29 years of service
+ 61 years of age
= 90

or retire now with a reduction based on being two points away.

Rule of 80

Peter is a Police Officer with 26 years on the force. He is 54 years old, and is therefore six years from Service Retirement Age. But, he may retire with an unreduced benefit because he has reached the Rule of 80.

26 years of service
+ 54 years of age
= 80

Less than Rule of 80

Doug is a PERSI Firefighter with 26 1/2 years of service. He is 51 1/2 years old. He is 8 1/2 years from Service Retirement Age, but just one year away from the Rule of 80.

26 1/2 years of service
+ 51 1/2 years of age
= 78

(80 - 78 = 2)

Doug may work one more year adding one year of service and one year of age to retire under the Rule of 80,

27 1/2 years of service
+ 52 1/2 years of age
= 80

or he may retire now with a reduction based on being two points away.

Early Retirement Reduction Chart

If you retire before reaching Service Retirement Age or the Rule of 80/90, your retirement benefit will be reduced based on the number of years, or "points" early you are retiring.

Example

If you retire two years or points early, your benefit will be reduced 6.00%, and you will receive 94.00% of your calculated service retirement benefit.

Example

If your last contribution was after October 1, 1994, and you are eight years from Service Retirement Age or the Rule of 80/90, your benefit would be reduced 32.25%, and you would receive 67.75% of your calculated benefit. For example, if your benefit was to be $1,000 but you had the 32.25% reduction, your monthly benefit would be $677.50.

$ 1000 x .3225 = 322.5

  1000
- 322.50
= 677.50

Additional decreases are **not** made after retirement. Your benefit will not decrease each year you are retired. In fact, the opposite will occur – your benefit will be increased each year due to Cost of Living Allowances (COLAs) (see page 50). So, in the above example, the second year you are retired your monthly benefit would be $677.50 + the COLA amount.

Early Retirement Reductions

First Five Years Early Retirement

	Year 1	Year 2	Year 3	Year 4	Year 5
% Reduction	3.00%	6.00%	9.00%	12.00%	15.00%
% You Receive	97.00%	94.00%	91.00%	88.00%	85.00%

Second Five Years Early Retirement

	Year 6	Year 7	Year 8	Year 9	Year 10
Last Contribution					
Prior to 10/1/92					
% Reduction	23.00%	31.00%	39.00%	47.00%	55.00%
% You Receive	77.00%	69.00%	61.00%	53.00%	45.00%
10/1/92 - 9/30/93					
% Reduction	22.25%	29.50%	36.75%	44.00%	51.25%
% You Receive	77.75%	70.50%	63.25%	56.00%	48.75%
10/1/93 - 9/30/94					
% Reduction	21.50%	28.00%	34.50%	41.00%	47.50%
% You Receive	78.50%	72.00%	65.50%	59.00%	52.50%
10/1/94 and After					
% Reduction	**20.75%**	**26.50%**	**32.25%**	**38.00%**	**43.75%**
% You Receive	**79.25%**	**73.50%**	**67.75%**	**62.00%**	**56.25%**

The chart shown here is a partial listing, based on whole years. Your actual reduction will be based on years and months. For example, if you were 1 1/2 years away from meeting the rule of 80/90, your reduction would be 4.5%, not 3% or 6%.

Benefits will be computed or estimated using the reduction rate in state law at the time of your last Base Plan contribution.

Social Security Normal Retirement Age (SSNRA)

Because people are living longer, Social Security has raised the Social Security Normal Retirement Age (SSNRA) for individuals born after 1937. This will affect your PERSI benefit if you take a Social Security option at retirement.

Because PERSI does not administer Social Security benefits, we cannot answer questions relating to Social Security. Please contact the Social Security Administration directly with any questions you may have.

Call Social Security toll-free at 1-800-772-1213, visit their Web site at **www.SSA.gov** or, to find your local office, look in the phone book under United States Government.

Social Security Normal Retirement Age (SSNRA)

If your year of birth is:	Your SSNRA is:
up to 1937	65 years, 0 months
1938	65 years, 2 months
1939	65 years, 4 months
1940	65 years, 6 months
1941	65 years, 8 months
1942	65 years, 10 months
1943-1954	66 years, 0 months
1955	66 years, 2 months
1956	66 years, 4 months
1957	66 years, 6 months
1958	66 years, 8 months
1959	66 years, 10 months
1960 on	67 years, 0 months

Your Base Plan Retirement Payment Options

You have several payment options for your Base Plan retirement allowance. It is important that you understand the options available to you so that you may make an informed decision.

If you are married, your spouse must consent in writing to your option selection. This consent must be witnessed by a notary. This is because Idaho is a community property state, and your spouse must consent to giving up any part of your benefit to which he/she may be legally entitled.

If both you and your spouse are PERSI members, there will be no reductions in your benefits because of the marriage. Each benefit will be calculated individually.

Regular Retirement Allowance

A regular allowance is a monthly benefit payable for your lifetime only. It is the benefit calculated from the formula on page 22 and reductions on page 26.

Options 1 and 2

These options allow you to designate a Contingent Annuitant (CA) to receive a monthly allowance after your death.

Under either Option 1 or 2, a reduced monthly payment is made to you until your death and then a monthly payment is made to your CA until their death. If your date of last contribution was July 1, 1992, or later, you retire on or after October 1, 1992, and your CA dies first, your monthly payment will pop up or return to the higher regular retirement allowance.

The amount of the reduction (compared to your regular retirement allowance) is determined by the age difference between you and your CA, and your choice of payment options.

Option 1 - 100% Contingent Annuitant Allowance

After your death, your CA will receive the same monthly amount you had been receiving. This will continue for the remainder of your CA's life.

Option 2 - 50% Contingent Annuitant Allowance

After your death, your CA will receive one-half the monthly amount you had been receiving. This will continue for the remainder of your CA's life.

Option 3 - Social Security Adjustment

This option is available only to members who retire before Social Security Normal Retirement Age (SSNRA). It provides an increased retirement allowance before SSNRA and a reduced allowance after SSNRA. It is payable to you for your lifetime only. SSNRA is age 65 for those born before 1938. For those born later, SSNRA is between ages 65 and 67.

The adjustment is based on the estimated benefit you will receive from Social Security at SSNRA. For PERSI to calculate this option, you will need to provide an estimate from Social Security. The acceleration is based on your age and the number of years that you are from your SSNRA. It will not be adjusted if your Social Security benefit is different than your estimate.

Option 3 utilizes a complicated formula involving a number of factors including your age, years of service, average salary, your Social Security estimate, and more. If you would like more information about the Social Security adjustment option, please call PERSI.

Options 4a and 4b - Social Security Adjustment with CA Allowance

A modification of Option 3, this choice reduces your monthly PERSI benefit. However, upon your death, a monthly payment is made to your designated CA for the rest of his or her lifetime.

• Option 4A - Provides 100%
• Option 4B - Provides 50%

Under Option 4a or 4b, if your date of last contribution was July 1, 1992, or later, you retire on or after October 1, 1992, and your CA dies first, your allowance will pop up to the higher Option 3 Social Security Adjustment.

Example Of The Social Security Retirement Option

This illustrates how payment of the Social Security Option works. It is for purposes of comparison only and may not reflect what your particular benefit might be. Each individual's retirement benefit is unique due to the variety of factors involved in the calculations. **In this example notice that although the total income remains constant, the PERSI benefit drops at Social Security Normal Retirement Age 65 from $1,000 to $341.**

AGE 55

PERSI pays $1,000

Social Security Acceleration
(PERSI pays) $ 541

TOTAL INCOME = $1,541 until

AGE 65

PERSI pays $ 341
($1,541 - SS quote of $1,200)

Social Security pays $1,200

TOTAL INCOME = $1,541 thereafter

This chart assumes:
PERSI reduced estimated benefit for age 55 = $1,000
Social Security Quote for age 65 = $1,200
($1,200 x .451 for retiring at age 55 = $541)

PERSI benefit
Social Security benefit
Retirement Option 3 - Social Security acceleration (PERSI pays)

Contingent Annuitant Option Factors

At retirement, you may name a Contingent Annuitant (CA) to receive a monthly allowance after your death. This reduces your benefit during your lifetime. The amount of the reduction (compared to your regular retirement allowance) is determined by the age difference between you and your CA, and your choice of payment options.

To calculate the approximate reduction:

1. Find the age difference between you and your Contingent Annuitant (CA).
2. Multiply the factor by your monthly benefit.

Example:
If your monthly benefit is $1,200 and you are 10 years older than your CA and you choose Option 1

$1,200
x .735
$ 882 = your Option 1 benefit

Example:
If your monthly benefit is $1,200 and you are seven years younger than your CA and you choose Option 2

$1,200
x .960
$ 1,152 = your Option 2 benefit

Member Older Than CA

Age Difference in Years	Factors Option 1	Factors Option 2
15 or more*	.690	.810
14	.700	.816
13	.710	.822
12	.720	.828
11	.730	.834
10	.735	.840
9	.740	.846
8	.745	.852
7	.750	.858
6	.755	.864
5	.760	.870
4	.765	.876
3	.770	.882
2	.785	.888
1	.800	.894
0	.815	.900

Member Younger Than CA

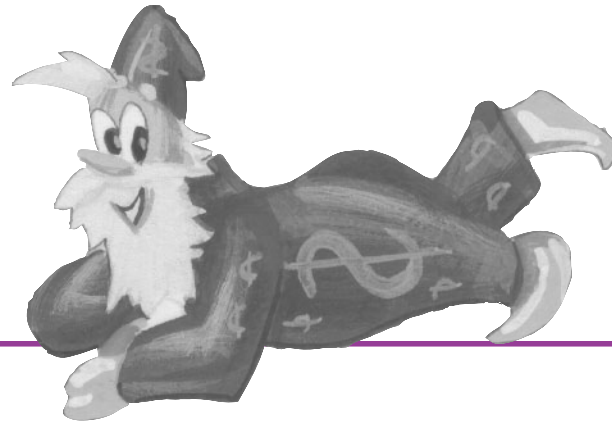
Age Difference in Years	Factors Option 1	Factors Option 2
0	.815	.900
1	.835	.915
2	.855	.925
3	.875	.935
4	.890	.945
5	.900	.950
6	.910	.955
7	.920	.960
8	.930	.965
9	.940	.967
10	.944	.969
11	.946	.971
12	.948	.973
13	.950	.975
14	.952	.977
15 or more	.954	.979

* For each year the member is more than 15 years older, subtract .01 from .690 for Option 1 or .810 for Option 2.

Base Plan Retirement Payout Option Advantages & Disadvantages

Payment Option	Advantages	Disadvantages
Regular Retirement	Provides the largest retiree benefit. It may be the appropriate choice if you have no dependents, or if your spouse would have adequate income from investments and other sources after your death.	Monthly payments stop when you die. No Contingent Annuitant (CA) protection is provided.
Option 1 100% CA Allowance	Provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher regular retirement amount.	The monthly amount you receive is reduced because it must last two lifetimes. This reduced amount may not provide an adequate income while you both are living.
Option 2 50% CA Allowance	Provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher regular retirement amount.	The monthly amount you receive is reduced because it must last two lifetimes. This reduced amount may not provide an adequate income while you both are living.
Option 3 Social Security Adjustment	Provides the largest income until your SSNRA, and may be the appropriate choice if you knew you were not expected to live past your SSNRA.	**At your SSNRA, your benefit will drop—often significantly. It could even drop to zero.** Often, retirees forget that the reduction will occur and are unprepared when it does. Monthly payments stop when you die. No CA protection is provided.
Option 4a 100% CA/Social Security	Provides a larger benefit until your SSNRA. Also provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher Option 3 amount.	**At your SSNRA your benefit will drop—often significantly. It could even drop to zero.** Often, retirees forget that the reduction will occur and are unprepared when it does.
Option 4b 50% CA/Social Security	Provides a larger benefit until your SSNRA. Also provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher Option 3 amount.	**At your SSNRA your benefit will drop—often significantly. It could even drop to zero.** Often, retirees forget that the reduction will occur and are unprepared when it does.

To help you pick the right option for your own situation, at retirement PERSI will provide you estimates for each of the options.



Comparison Of Base Plan Retirement Options

This chart illustrates the differences between the available retirement options. **It is for purposes of comparison only and may not reflect what your particular benefit might be. Each individual's retirement benefit is unique due to the variety of factors involved in the calculations. When you apply for retirement, each of the option amounts will be estimated especially for you.**

In this example: Member is age 55. Contingent annuitant (CA) is age 54. Member's estimated Social Security benefit is $1,200 a month at Social Security Normal Retirement Age (SSNRA) of age 65. Your SSNRA will be higher if you were born after 1937. Member's regular retirement allowance is $1,000 a month. The amounts shown do not include annual PERSI or Social Security Cost of Living Adjustments (COLAs).

Retirement Option	Member's Monthly Allowance	CA's Monthly Allowance After Member's Death
Regular Retirement	$1,000	$ 0
Option 1 - 100% CA Allowance	800	800
Option 2 - 50% CA Allowance	894	447
Option 3 - Social Security Adjustment		
until Member's SSNRA	1,541	0
after Member's SSNRA	341	0
Option 4a - 100% CA/Social Security		
until Member's SSNRA	1,341	1,341
after Member's SSNRA	141	141
Option 4b - 50% CA/Social Security		
until Member's SSNRA	1,435	717
after Member's SSNRA	235	117

Retiring With Mixed Service

Members with mixed service have part of their service as a general member and part as a Police Officer/ PERSI Firefighter. If you have mixed service, the age at which you are eligible for early or service retirement is determined by calculating your service retirement ratio. The service retirement ratio will also determine when you may retire with an unreduced allowance under the Rule of 80/90. (Certain exceptions apply to individuals who were active members of PERSI on June 30, 1985. Please contact PERSI for more information.)

MIXED SERVICE RETIREMENT RATIO FORMULA

$$\frac{\text{months of service as police officer}}{\text{total months of credited service}} = \text{Service Retirement Ratio}$$

Example of Mixed Service Retirement Ratio Formula

Steve worked as a Police Officer for 60 months, and for 300 months as a general member, for a total of 360 months of credited service. His formula would be

$$\frac{\text{60 months}}{\text{360 months}} = .16667$$

Using **Chart 1**, Steve can tell that his Early Retirement Age is 54 and his Service Retirement Age is 64.

Looking at **Chart 2**, Steve can tell that with .16667 as his service retirement ratio, his age plus years of credited service must equal 88 for him to retire early with an unreduced benefit.

CHART 1

Service Retirement Ratio	Service Retirement Age	Early Retirement Age
0.000 to 0.100	65	55
0.101 to 0.300	64	54
0.301 to 0.500	63	53
0.501 to 0.700	62	52
0.701 to 0.900	61	51
0.901 to 1.000	60	50

CHART 2

Service Retirement Ratio	Rule of 80 - 90
0.000 to 0.050	90
0.051 to 0.150	89
0.151 to 0.250	88
0.251 to 0.350	87
0.351 to 0.450	86
0.451 to 0.550	85
0.551 to 0.650	84
0.651 to 0.750	83
0.751 to 0.850	82
0.851 to 0.950	81
0.951 to 1.000	80

Example: Service Retirement Allowance Formula for Mixed Service

Your service retirement benefit is based on your highest average monthly salary (gross salary) over a base period and your total months of service. If you have mixed service, your benefit is computed with both the general member and the Police Officer/PERSI Firefighter formulas to arrive at your monthly allowance.

If you retire before reaching Service Retirement Age and if you have not met the Rule of 80/90, the early retirement reduction on page 26 will be used to determine the amount of your reduction.

In this example, the member is Service Retirement Age with 180 months as a general member and 70 months as a police/PERSI Firefighter member. The example shows a regular retirement allowance with no reductions.

Highest average monthly salary	$2,000.00
x general member multiplier (see page 22)	x .02
	= $40.00
x total months of credited service as a general member	x 180
= Annual Benefit as General Member	= $7,200.00

Same highest average monthly salary	$2,000.00
x Police/PERSI Firefighter multiplier (see page 22)	x .023
	= $46.00
x total months of credited service as a Police/PERSI Firefighter member	x 70
= Annual Benefit as Police/Firefighter	= $3,220.00

Add both annual benefits	$7,200.00
	+ $3,220.00
= Annual Benefit with Mixed Service	= $10,420.00

divided by 12	÷ 12
= Monthly Benefit with Mixed Service	**= $868.33**

Changing Your Retirement Option

After you retire, you may change your payment option only if you marry or remarry and name your spouse as your contingent annuitant within one year of the date of the marriage provided that:

- You were not married at the time of retirement, OR
- You chose a contingent annuitant option at retirement, named your then-spouse as CA , and that spouse has since died.

If the type of benefit you receive is different from the option you thought you chose, you may petition PERSI to change your option if you notify PERSI within five days of receiving your first retirement payment. Otherwise, your choice is irrevocable.

Deferring A Retirement Benefit

If you have stopped working and meet the eligibility requirements for early retirement but want to postpone receiving your benefit, you may defer payment until a later date. You may not postpone applying for your benefit past Service Retirement Age.

It is very important to keep PERSI informed of your address if you leave work and wish to defer retirement.

Your employee contributions and interest must remain in PERSI to maintain your retirement eligibility.

How Employment After Retirement Affects Your Payments

After retirement, you may work wherever you want, as much as you want without affecting your Base Plan retirement benefit, unless you work for an Idaho public employer that is a member of PERSI.

If, as a retired member, you want to work for a PERSI employer and continue receiving your retirement payments, you may do so if you work in a position that is less than 20 hours per week (less than 1/2 contract for teachers), OR if your employment does not total five consecutive months AND your employer will so certify. If you work less than 20 hours per week or less than five consecutive months, no employee or employer contributions are made and no new retirement credits are earned.

If, as a retired member, you work for a PERSI employer 20 hours or more per week for five consecutive months or longer, you return to active member status. Your Base Plan retirement allowance stops, employer and employee contributions resume, and you begin to earn additional retirement credits. Both employer and employee contributions for all months worked will be due to PERSI. Any retirement benefit paid after you returned to work must be reimbursed to PERSI.

When you return to retired status, your original retirement allowance will resume plus the additional allowance calculated on the service earned during your period of reemployment. (If that period of reemployment turns out to be less than five months, your contributions made during that time will be returned and your retirement allowance will be paid from the date it was discontinued.)

Or you may choose to repay all the benefits you received (including interest) instead of having the additional allowance calculated on the credits earned during your period of retirement. You may then have your benefit recalculated as if you had never retired.

If you retire early (before age 65 general members/60 police members), you may not retire and then return to work for the same employer within 90 days, even if for less than 20 hours per week. In addition, there can be no “promise” of re-employment with that employer at the time of retirement. If either of these occur, the IRS considers there is no break in service and therefore you continue to be an active PERSI member. You, not PERSI, are responsible for any noncompliance with IRS law.

If you reenter employment as an elected or appointed official, you will not return to active member status unless you work 20 hours or more per week. If you work less than 20 hours, your retirement allowance will continue, but you will not earn additional retirement and your employee contributions will not resume.

Disability Retirement

If your career is cut short because of a permanent disability, the PERSI Base Plan can help by paying you a monthly disability benefit if you meet eligibility requirements.

Disability for retirement purposes is a physical or mental impairment which is considered total and permanent and prevents you from earning a livelihood.

Temporary disability benefits are not available under the retirement law. Permanent incapacity is a prerequisite to approval of a disability retirement application. The disability amount may be offset by Worker's Compensation Benefits.

Based on medical and other evidence, the Retirement Board or its agent will determine whether or not you are eligible for disability retirement. Disabilities resulting from service in the Armed Forces or from an intentionally self-inflicted injury are excluded from a disability retirement benefit.

Disability Requirements

- You must be totally and permanently disabled as a result of a physical or mental disease or injury while an active member, AND
- Your disability must result in substantially all avenues of employment being reasonably closed, AND
- You must have five years of service.

You may be eligible from the first day on the job if you are disabled due to work-related causes.

Medical Examinations

You will be required to provide medical information and may be required to undergo medical examinations both before and after the disability determination.

Refusal to submit to a medical examination if requested before the beginning of a disability retirement, or at any reasonable time thereafter, will be considered proof that you are not disabled.

Disability Allowance Formula

A disability retirement allowance is calculated using the Service Retirement formula. See page 22.

If you have less than 360 months of service as of the date you are eligible for disability retirement, you will be given credit for the months of service you would have earned from the date of disability to the date you would have reached Service Retirement Age (65 for general members/60 for police/firefighters) had you not become disabled (360 months of credited service maximum). In other words, we will give you up to 30 years of credit or to age 65 for general members (age 60 for police/firefighters), whichever is less.

Example

If you are a general member and have 120 months of service and become disabled at age 50, we will add 180 months (12 months x 15 years to age 65). This will give you 300 months service for your disability retirement.

The disability allowance produced by the benefit formula will not be reduced regardless of your age at the time you are eligible for disability retirement.

How To Apply For Disability Retirement

You must meet disability eligibility requirements while you are an active PERSI member. Contact the PERSI office in your area to determine if you are eligible to apply for disability retirement. If you are eligible, you will be directed to professionals who will assess your condition.

When Disability Allowances Begin

A disability allowance is payable on the first of the month following the latest of:

- The date salary, sick leave, or temporary disability benefits sponsored by your employer stop; OR
- The completion of a five-calendar-month waiting period following your last day of employment.

If you receive extra compensation or a lump sum payment during your waiting period, PERSI is required to use that income to determine the date your salary ceased. To do this, we will "run out" that lump sum at your current rate of pay. A lump sum could include but is not limited to: vacation pay, a contract pay-off, bonus pay, personal leave days, or severance pay. Your disability benefit would commence the first of the month after all this income has run out.

How Long Disability Allowances Continue

You may continue to receive a disability allowance until the first of the month following whichever occurs first:

- The date of your death, OR
- The date you would have been eligible for Service Retirement if you had remained an active member, OR
- The date your disability ceases.

If your disability allowance is discontinued because you have reached Service Retirement Age, your benefit will be converted to a Service Retirement allowance, and you will be provided with options on different ways to draw the allowance.

Death Benefits Payable While On Disability Retirement

If you die while on disability retirement and had named your spouse as beneficiary, your spouse has the option of a monthly benefit for his or her lifetime, or a lump-sum death benefit consisting of two times the amount in your Base account at the time of disability retirement minus any amount paid to you.

Example:

$60,000	In your Base Plan account at time of disability
x 2	
= $120,000	
- $45,000	Paid to you while on disability
= $75,000	Death benefit payable to your beneficiary

If your spouse is not your beneficiary, the beneficiary may take a lump-sum payment of two times the amount in your Base account at the time of disability retirement minus any amount paid to you, or may waive their right to the benefit and opt to provide your spouse with a monthly benefit for his or her lifetime.

If you have no spouse, your beneficiary receives a onetime payment of two times the amount in your Base account at the time of disability retirement minus any amount paid to you. Generally, if you've been on disability retirement more than three years there would be no money left in your account so there would be no death benefit payment for your beneficiary.

Disability Benefit Exclusions

PERSI Base Plan

Disabilities resulting from service in the Armed Forces or from an intentionally self-inflicted injury are excluded from a PERSI Base Plan disability retirement benefit.

PERSI Choice Plan

The PERSI Choice Plan does not have disability benefits, but you may take a distribution from your Choice Plan account (see next page).

Payment options if you stop working but aren't ready to retire

Choice Plan Distribution Options

The full value of your Choice Plan 401(k) account is available to you if you terminate work even if you are not ready to retire. You may choose :

- a lump sum;
- a rollover to an eligible retirement plan – 401(a), 401(k), 403(b), 457 or pre-tax IRA
- to leave your assets in the 401(k); or
- a combination of options.

If you are retiring, you have other distribution options, such as installment payments. For more information, see page 20.

Lump Sum Payment Directly To You

Any amounts payable eligible for rollover distributions will be subject to federal income tax withholding of up to 20% and applicable state income tax withholding. You may also incur a federal 10% early distribution penalty if you are under age 59 1/2. Distributions that are not eligible for rollover generally will be subject to a 10% federal withholding, unless you elect a different rate.

Leave Your Funds in the Choice Plan

You may leave your funds in the Choice Plan until a later date or until retirement. The funds will be subject to minimum distribution requirements when you turn age 70 1/2. By leaving money in the Plan, you defer paying taxes. You will be responsible for the annual record keeping fees to maintain this account (currently $30 annually). The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after you terminate or retire.

Rollover to an IRA or Eligible Retirement Plan

You may transfer your Choice Plan account balance via direct rollover into an Eligible Retirement Plan {401(a), 401(k), 403(a), 403(b) and 457} or Individual Retirement Account (IRA). By transferring the money via direct rollover, you defer paying taxes.

Base Plan Separation Benefits

A separation benefit is a lump-sum payment of the money you contributed to the PERSI Base Plan, plus the interest that has accumulated on your contributions. It does not include employer contributions.

PERSI tries to make taking and/or repaying a separation benefit as easy as possible; however, both involve many complicated conditions and tax consequences. **We strongly recommend that you consult with a tax advisor before taking or repaying a separation benefit.** You can find more specific information in IRS Publication 575, **Pension and Annuity Income,** and IRS Publication 590, **Individual Retirement Arrangements**. These publications are available from your local IRS office, on their Web site at **www.IRS.gov/forms_pubs/index.html** or by calling 1-800-TAX-FORMS. If you have additional questions, please feel free to contact PERSI.

Leaving Your Funds In the PERSI Base Plan

If you leave PERSI-covered employment, you do not have to take a separation benefit. You may choose to leave your funds in PERSI. There are definite benefits for leaving your funds in.

Your contributions will continue to draw interest and your retirement credits will be preserved. This is particularly important if you have 60 months or more of service or plan to return to eligible public employment at some point and want to keep existing retirement credits intact. The length of time you may leave your funds in PERSI is based on the following:

If You Have Less Than 5 Months of Service

If you terminate with less than 5 months of service (or worked less than 20 hours per week, or less than 1/2 contract for teachers) you did not meet PERSI eligibility requirements. In this case, your contributions would be returned to you automatically. (Be sure PERSI has your correct address.) If you contributed at least $200, you have the option of rolling the funds into another qualified plan or IRA.

If You Have 5 to 59 Months of Service

If you were eligible for PERSI (worked 5 months or more) but were not vested to a monthly retirement benefit (did not reach 60 months of service), you may leave your funds in PERSI for up to three years. You may wish to leave your funds in if you think you may work for another public employer within Idaho within the next three years. Over 650 employers belong to PERSI, so you may find yourself working for a school district, state agency, city, county, etc. in the future. If after three years you have not returned to PERSI employment, you will be notified that it is time to withdraw or rollover your funds.

If You Have 60 Months or More of Service

If you are vested to a monthly retirement benefit, you may leave your funds in PERSI until you are old enough to retire. Again, be sure to notify PERSI of any address changes so that we may contact you when you are eligible to begin receiving pension payments.

Separation Benefit Eligibility

You are eligible for a Base Plan separation benefit if you were an active member and have **terminated** PERSI-covered employment. You must be an **inactive** member to apply for a separation benefit.

You are **not** eligible if you are working for a PERSI employer, even part time, or are on a leave of absence.

If you take a separation benefit and return to work for the same employer within 90 days, you will be required to repay any separation benefit you received plus any interest due.

State of Idaho employees who leave one state agency and begin work for another agency within 90 days must repay any separation benefit received plus interest.

Separation Benefit Payment Procedure

To pay a separation benefit, PERSI must have two documents: an **RS-109 Notice of Separation** from your employer, AND an **RS-108 Request for Separation Benefit** from you. If you choose to roll over your funds to an IRA or another qualified plan, we will also need the name, address and account information for the other plan.

If married, your spouse must consent, in writing, to the payment. This is because Idaho is a community property state, and your spouse must consent to giving up any part of your PERSI benefit to which he or she may be legally entitled. Spousal consent protects your spouse's right to his or her portion of the benefit. Your spouse's signature must be notarized by a Notary Public to ensure that it is, in fact, your spouse that is offering consent. All PERSI offices have notaries available to you at no cost. If you and your spouse wish, you may make an appointment with a PERSI notary.

If divorced or divorcing, your separation benefit could be affected. See page 54.

If you have a court ordered attachment for delinquent child support payments or a federal tax lien, your separation benefit could be affected. See page 54.

A separation benefit is usually made in two payments - the first is made within four weeks of PERSI's receipt of both forms above. This check includes the contributions and interest in your account at the time of payment. About 90 days later you'll receive a payment of any contributions made to your account in the interim. If you ended your PERSI-covered employment more than two months before requesting a separation benefit, you should receive the entire payment in one check.

Separation Benefit Cancels PERSI Credits

When you take a separation benefit, you cancel all credits toward your retirement. If you have enough service to qualify for a monthly benefit at retirement, you also cancel your eligibility for that benefit. If you return to public employment, you will start over in accruing service.

There are many types of employers throughout Idaho that belong to PERSI, such as school districts, the State of Idaho, state universities, counties, cities, police and fire departments, highway districts, sewer districts, libraries and more. If you think you may work for any of these employers in the future, you may want to consider leaving your funds in PERSI.

If you have at least 60 months of service, PERSI recommends that you ask about your eligibility for a lifetime monthly retirement benefit before applying for a separation benefit. The value of a Base plan retirement benefit can far exceed the amount in your Base account. See The Value of your Benefits on page 5.

Taxes On Separation Benefits

Federal Excise Tax

If you are not at least age 59 1/2 at the time you take a separation benefit, you may be required to pay a **10%** early withdrawal federal excise tax as well as federal, state and any local taxes on the tax-deferred portion of your benefit. IRS Publication 5329 explains the Federal Excise Tax.

Federal Withholding Tax

PERSI is required, by the IRS, to withhold **20%** of the tax-deferred portion of your separation benefit for federal withholding taxes if the payment is made directly to you.

The tax-deferred portion consists of all contributions made after July 1, 1983, and the interest accrued on all your contributions. Contributions to PERSI prior to July 1, 1983, were taxed.

Avoiding Taxes On Separation Benefits

You may avoid the tax penalties if you roll over the tax-deferred portion into an IRA, an individual annuity, a qualified trust, or a qualified annuity plan. You must roll over the contributions within 60 days of receiving each separation benefit payment or have PERSI do it directly.

Returning To Active Membership

You return to active membership as soon as you return to eligible public employment. You begin earning new retirement credits which will be added to those already held.

If you had been paid a separation benefit and you return to eligible public employment, you may reinstate your service by repaying the full amount of the separation benefit you received plus interest. You will be charged interest on the outstanding balance of any part of the separation benefit that remains unpaid. Interest paid will be credited to your account.

Repaying A Separation Benefit or Waiting Period

If you return to work for a PERSI employer, you may pay back your separation benefit, or waiting period, plus interest, to reinstate your service. You may not begin to pay back a separation benefit while you are an inactive member; however, if you do begin repayment of a benefit while employed and later terminate, you may continue the repayment after termination. Payments made after termination cannot be tax deferred. You will be charged interest (Prime Rate Average + 1%) on the outstanding balance of any part of the separation benefit that remains unpaid. The interest you pay will be credited to your account.

If you had more than one separation benefit, all must be repaid to reinstate your service credit. Service will not be reinstated until repayment of all separation benefits is complete. Repayment must also be completed before your retirement date if you want those months of service used in the calculation of your retirement benefit.

Payment Options

Repayment of a separation benefit to PERSI can be done several ways:

- a rollover from another eligible plan or IRA;
- a one-time lump sum taxed (meaning you have already paid taxes on this money) payment;
- a monthly or a series of taxed payments direct to PERSI;
- through tax-deferred payroll deductions; or
- via an in-service transfer from your PERSI Choice Plan.

If tax-deferred payments will be included as part of your repayment plan, this must be decided before any payment has been made. The decision is

irrevocable by IRS law. This means that once you begin a method of tax-deferred repayment, you cannot change the repayment method or amount of payments.

You may choose to have a percentage of your pay deducted to repay the separation benefit. In this case, if your salary increases or decreases, your payment would fluctuate as well, although you would not be able to change the percentage itself.

If you want to combine methods of payment, for instance a few taxed payments followed by pre-tax payroll deductions, you may do so as long as you decide this up front.

Once pre-tax payroll deductions begin, you cannot change or stop payments until the repayment has been made in full or you terminate employment.

In-Service Transfers to the PERSI Base Plan

Funds from your Choice Plan 401(k) account may be transferred, while you are still working, to the PERSI Base Plan to repay separation benefits, waiting periods, or delinquent contributions. However, if you have already started a repayment agreement through payroll deduction, you may not do an in-service transfer.

Additional Payments Allowed

Although you cannot change the amount of a payroll deduction, you can set up **additional** tax-deferred payroll deductions or payments as long as:

- they don't affect previously authorized deductions,
- you and your employer agree that the deduction is irrevocable.

By starting additional tax-deferred payments you can, in essence, increase the amount you are paying on these repayments. There is no limit on the number of Additional Payment Agreements you may start. Each increase must be at least 1% of salary.

Department of Labor Employees

If you are a past employee of the Idaho Department of Labor, (formerly Department of Employment), withdrew your funds and forfeited your service under the DOL retirement plan, you may buy back that service. DOL must be notified in writing of your desire to do so within 90 days of the date of your first re-employment under the PERSI system. Contact the DOL for information.

Stop and think before taking a separation benefit.

Your PERSI retirement benefit is likely to be worth far more than just your account balance.

Don't make a mistake you may regret later!

Death Benefits

Base Plan

In addition to the emotional stress caused by the death of a loved one, a severe blow is often dealt to the family's financial security—particularly when death occurs during the career years. To help ease this burden, **PERSI offers valuable financial protection in the form of death benefits.**

By understanding what benefits are payable from your Base plan and how each benefit provides for your contingent annuitant (CA) or beneficiary, you can be assured that you have made the best choice possible for yourself and your family. See page 27 for more information on CA's.

Death After Retirement

Regardless of the option you elect at retirement, your beneficiary will receive a lump sum death benefit IF both you and your CA die and the total retirement payments to you and your CA, if any, have not exceeded your total employee contributions and interest. Generally, after you've been retired more than three or four years there is no money left in your account so there would be no death benefit payment for your beneficiary.

If you retire under Option 1, 2, or 4, your Contingent Annuitant will receive a monthly income for life (instead of a lump sum death benefit) at the time of your death. See Retirement Options, page 27.

At retirement, you may want to make sure that your CA and your beneficiary are not the same person. That way, if both you and your CA die, your beneficiary will receive a lump sum payment if there are still funds in your account.

Death While on Disability Retirement

If you die while on Disability Retirement, there are two options:

1. Your beneficiary may receive two times the amount in your Base Plan account at the time of disability minus any amount that has been paid to you; or
2. If you have a surviving spouse, your beneficiary may choose to waive their lump sum death benefit to instead have a monthly allowance paid to your surviving spouse for his or her lifetime.

Death Before Retirement

Non-Vested Members

If you have less than 60 months of service, your beneficiary will receive a lump sum death benefit consisting of your Base plan contributions plus interest.

Vested Members

If you die with 60 months or more of service while active or inactive, there are two options:

1. Your beneficiary may receive two times your Base plan contributions plus interest, or
2. If you have a surviving spouse, your beneficiary may choose to waive their Base Plan lump sum death benefit to instead have a monthly allowance paid to your surviving spouse for his or her lifetime.

Example

If your beneficiary is your daughter, she may choose not to take the lump sum death benefit, and instead, have a lifetime monthly allowance paid to your spouse.

The amount of the monthly allowance is based on your age at death, that of your spouse, your total months of service and your average monthly salary. The allowance will be paid in the amount calculated under Option 1, 100% Contingent Annuitant Allowance.

In all cases, your beneficiary and surviving spouse will be notified of the value of the choices available.

Choice Plan

The full value of your account is available to your beneficiary upon your death. Depending on individual circumstances, your beneficiary may choose from a number of payment options including:

- a lump sum;
- monthly installment payments;
- a rollover to an eligible retirement plan – 401(a), 401(k), 403(b), 457 or pre-tax IRA;
- leaving the assets in the plan; or
- a combination of options.

If your account balance is more than $5,000, and your beneficiary is your spouse, he or she may choose any of the following options or a combination of options. If your beneficiary is not your spouse, he or she may only choose a lump sum payment or to leave the funds in the plan. Options are based on your account balance on the date a distribution is requested.

Lump Sum Payment Directly To Beneficiary

For a lump sum payment, any amounts eligible for rollover distributions will be subject to federal income tax withholding of up to 20% and applicable state income tax withholding. Your beneficiary may also incur a federal 10% early distribution penalty if they are under age 59 1/2. Distributions that are not eligible for rollover generally will be subject to a 10% federal withholding, unless a different rate is elected.

Leave The Funds in the Choice Plan

Your beneficiary may leave your funds in the Choice Plan until a later date. The funds will be subject to minimum distribution requirements when he or she turns age 70 1/2. By leaving money in the Plan, they defer paying taxes. Your beneficiary will be responsible for the annual record keeping fees to maintain this account (currently $30 annually). The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after your death.

Rollover to an IRA or Eligible Retirement Plan

If your beneficiary is your surviving spouse, he or she may transfer your Choice Plan account balance via direct rollover into an Eligible Retirement Plan {401(a), 401(k), 403(a), 403(b) and 457} or Individual Retirement Account (IRA). By transferring the money via direct rollover, he or she defers paying taxes.

Installment Payments

Installment payments are available only if your beneficiary is your surviving spouse, and only if the account balance is more than $5,000. Monthly installments can be paid:

1. in a fixed monthly amount (not to exceed 120 months); or
2. in substantially equal payments over a fixed period.

Your surviving spouse will be responsible for the record keeping fees to maintain this account (currently $30 annually) during the time the installment payments are being made.

Taxes on Death Benefits

Base Plan and Choice Plan death benefits, whether a lump sum payment or monthly benefits, may be subject in whole or in part to federal and state income tax.

Tax information is included with lump sum checks to beneficiaries and is sent to monthly benefit recipients at the end of each year.

Beneficiaries are urged to seek tax advice from the IRS, the state tax commission, or a tax accountant if assistance is needed in determining individual tax liability.

Naming A Beneficiary

Your beneficiary designation applies to both of your PERSI Base and Choice Plans. When naming a beneficiary, you may choose one person, or several people, and may direct whether the benefit is to be paid in equal shares or different percentages. You may also name a charity, trust, estate, or institution.

If your spouse is not named as your sole primary beneficiary, you must obtain spousal consent on your beneficiary designation form. If your spouse is named as a secondary beneficiary or must share the benefit with another person, spousal consent is required. This is because Idaho is a community property state, and your spouse must consent to giving up any share of your PERSI benefit to which he or she may be legally entitled.

If PERSI does not have a beneficiary designation on file, death benefits will be paid:

1. To your surviving spouse (your spouse living at the time of your death);
2. If no surviving spouse, to your estate.

Changing Your Beneficiary

Remember to keep your designation up to date. Often, people will name one person as beneficiary and forget to change the designation if they divorce, marry, have children, and so on.

If you have not updated your PERSI beneficiary designation in some time, and you have had major life changes such as marriage, divorce, birth or adoption of children, or death in the family, you may need or want to complete a new RS-115 **Beneficiary Designation** form to ensure benefits are paid to the right individuals.

Example of how out-of-date beneficiary designations can hurt your friends or family

Kathleen was married to Ted when she first became a public employee, and so named him as her beneficiary. A few years later they divorced. Kathleen later married Bill, but never "got around to" filling out a new beneficiary designation form. After five years of marriage to Bill, Kathleen died, and although she probably wanted Bill to receive the death benefit, he is shocked to learn that the ex-husband, Ted, will receive the benefit because he is Kathleen's named beneficiary.

In a case like this, as beneficiary, Ted does have the option of waiving his payment so Bill can receive a monthly benefit payment for the remainder of Bill's life; however, it is unlikely that Ted would do so. Don't let a situation like this happen to your family—keep your beneficiary designation up-to-date.

You may change your beneficiary at any time. You can obtain the proper form (RS-115 **Beneficiary Designation**) from your employer, the PERSI office for your area or on our Web site.

Naming or changing a beneficiary on the PERSI form DOES NOT change the beneficiary named on insurance or other accounts. Similarly, a change on insurance or other forms DOES NOT change your PERSI beneficiary designation.

False Claims For Benefits are Illegal

It is against Idaho law for any person (including PERSI members, spouses, beneficiaries, disability applicants, and family members) to knowingly make a false claim for benefits or payment of money by PERSI.

Make sure you update your Beneficiary Designation if you marry, divorce, have or adopt a child, or have a death in the family.

Gain Sharing

This is a new benefit as of 2000 and is potentially a valuable benefit for active members, retirees, and employers. If there are years when PERSI is overfunded, the Board may decide to share excess earnings with you through gain sharing. Gain sharing is in addition to retirement benefits. In 2001, PERSI shared over $155 million with members, retirees, and employers.

How Gain Sharing Works

PERSI's Fiscal Year ends each June 30. That date will be used to determine PERSI's funding level for the year. Each October, the Retirement Board will determine if PERSI's funding is adequate to handle all benefit payments and other expenses. Their decision will take several factors into account: How much did PERSI's investments earn during the year? How much did PERSI's liabilities grow during the year? Is there enough funding to absorb any possible sudden, unexpected drop in the stock market? How is the economic outlook for the coming year? Were there any legislative changes to the plan during the year that affect funding?

The Board favors granting gain sharing whenever possible, but as fiduciaries responsible for ensuring the stability of the fund, they have the authority to withhold gain sharing in any year they determine it is not prudent to make distributions.

How Much You May Receive

For active members, gain sharing could mean several hundred or thousand dollars in contributions to your Choice Plan 401(k) each year, depending upon PERSI's funding and your Base Plan account balance. For retirees, it could mean a one-time payment of one to three times your monthly benefit in one check. We call this a "13th Check."

For employers, gain sharing could mean a significant one-time credit toward some or all of the contributions to PERSI for a particular year.

When Gain Sharing May Occur

Gain sharing may or may not occur every year. The Board will make a determination each year. Each summer, PERSI's earnings and funding stability will be evaluated. Distributions, if any, will be paid the following January.

How Gain Sharing Distributions Are Made to Active Members

In years when there is gain sharing, PERSI will make a deposit into your Choice Plan 401(k) accounts.

You will have the option of investing the gain sharing in the PERSI funds or other offered investment choices.

You must have 12 months of Base Plan service, and must be an active member at the end of the fiscal year (June 30) to be eligible for gain sharing for that year.

Retiring After June 30

If you are an active member on June 30 and retire after that, you will be eligible for gain sharing (if any) as an active member that year, but you will receive that payment as a 13th check. The next year you would be a retiree on June 30 so you would receive a payment (if any) under the retiree process.

Most teachers retire September 1. A teacher who is active on June 30 and retires September 1, would have gain sharing (if any) determined under the active member formula but paid as a retiree by a 13th check in January.

Terminating Work After June 30

If you were active and eligible for gain sharing as of June 30, quit work and leave your money in PERSI, you will receive a gain sharing deposit (if any) in January.

If you withdraw your PERSI money before the January payout, you cease being a member, and therefore will NOT receive gain sharing.

You Cannot Withdraw Your Gain Sharing Funds Unless you Retire, Terminate Employment, or become Disabled

Like your PERSI Base account, you cannot withdraw your gain sharing money or your voluntary contributions to the Choice Plan account unless you stop working, retire, or become disabled.

Base and Choice Accounts are Separate

Your Base Plan and Choice Plan accounts are separate. You may not transfer your gain sharing or Choice Plan voluntary contributions to your PERSI Base account, except to repay separation benefits, waiting periods, or delinquent contributions. See page 39 for more information on repaying these contributions.

How Gain Sharing Distributions Are Made to Retirees

Retirees will receive any gain sharing allocation based on their monthly PERSI Base Plan benefit.

Payment will be a one-time payment in addition to their January monthly benefit (a "13th check"). This one-time payment may occur each year, depending on how well investments are doing.

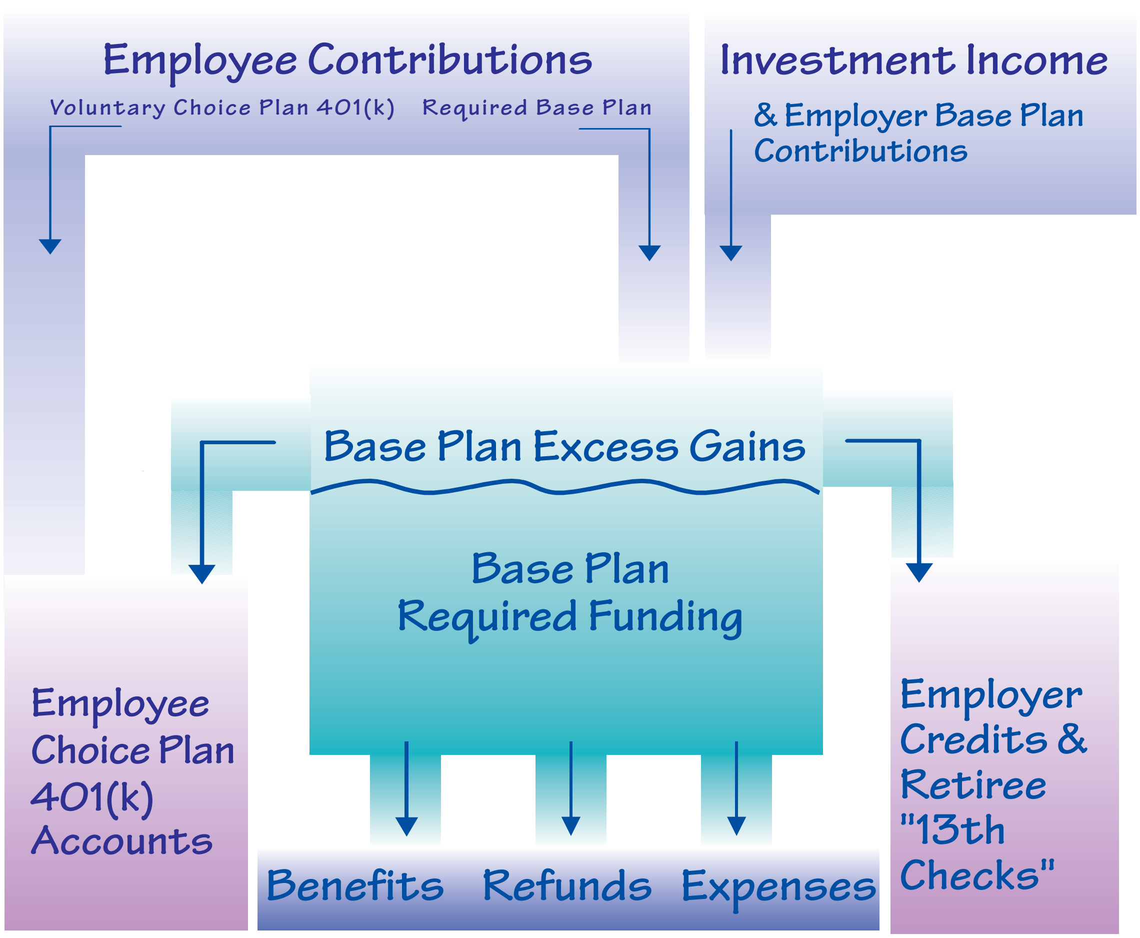
Retirees will continue to receive annual Cost of Living Adjustments (COLAs) each March. Gain sharing is in addition to the COLAs.

Inactive Members Do NOT Receive Gain Sharing

The law states that you must be an active PERSI member on June 30, and have 12 months of service to receive any gain sharing.

How Gain Sharing Works For Employers

Employers will receive their allocation in the form of a credit toward contributions payable during the following calendar year. The allocation will be based on the amount of their contributions to PERSI the previous fiscal year compared to all employer contributions to the plan.



Purchase of Base Plan Service

If you are a vested PERSI member, you may purchase additional Base Plan service to improve your retirement benefit. You may purchase service for any reason—there are no service requirements. You may purchase up to 48 months (4 years) of service. These months may be added to your existing months of service to increase your Base Plan retirement benefit amount. And if you have reached at least minimum retirement age (50 for Police/Firefighters, 55 for General Members) you may also be able to reach your Rule of 80/90 sooner.

Purchase of Service is Expensive

Purchase of service is very expensive. It could cost you as much as $120,000 or more to buy 48 months, depending on your salary and date of retirement. You must pay for the total cost of the change to your benefit. You are paying for the increase in your pension benefit because of the additional service and because you may now be able to retire earlier.

Basically, by purchasing service you are paying up front for your increased benefit. If the purchase improves your retirement benefit an estimated $50,000 over your lifetime, you pay us the present value of $50,000 at time of retirement, and we pay it back to you throughout your retirement. How long you live determines whether you will actually receive back more or less than you paid.

Purchase must be paid in full within the 90 days prior to your retirement date

For the additional service to be included in your retirement, it must be paid completely before you retire. **PERSI may only accept payment for purchased service within 90 days prior to retirement.** There are two reasons for this:

Long-term projection amounts are not accurate: Because the purchase cost is based on many factors—your salary, age, years of service, and more—an exact cost cannot be determined until you are actually ready to retire.

For example: if our calculations project that your salary will increase 3% per year and your salary increases are even slightly different, your projection amount will be incorrect. Once you are within a few months of retirement, a more exact cost can be determined.

You may estimate how much different purchases may cost you by using PERSI's Purchase of Service Calculator located on our Web site at www.persi.state.id.us

Flexibility: Once PERSI begins accepting payments, due to IRS regulations we cannot return your funds to you until you retire or separate from employment. We don't want you to be irreversibly locked into this decision. You may feel now that you want to purchase the service, but 5 to 20 years from now you may decide you want to do something else with that money. If you wish to save gradually over many years for your purchase, PERSI will work with you to **estimate** your cost to purchase and to give you ideas on where to place your savings—such as PERSI's Choice Plan 401(k) or another savings account—until you are ready to make the purchase at time of retirement.

Purchase of Service is an extension of current service

If you purchase service, it may only be done as an extension of your current service. This means that:

- If you are a general member at retirement, you may not purchase police/firefighter service and vice versa.
- If you have mixed service (general and police/PERSI firefighter), you may only purchase service as an extension of your membership class at retirement (if you once were a police officer, but are a general member at retirement, you may only purchase as a general member).
- If you are a Board Member or Part Time Elected/ Appointed official at retirement, you may only purchase service to be applied at the minimum-benefit level. If you were once a Board Member of Elected/Appointed official but are a Full Time employee at retirement, you may purchase service as a full time employee.

Employer Participation in a Purchase

Your employer may purchase service for you. Should they decide to do so, their payment must be a lump-sum payment made within the 90 days prior to your retirement. Employer payments for purchase of service are not refundable to you. Employer contributions must be preceded or accompanied by a written, signed statement from the employer's governing body verifying authority to purchase.

Death Benefits on Purchases

Death benefits on Purchase of Service payments are identical to PERSI Base Plan death benefits except that, unlike your regular PERSI account, the Purchase of Service payment amount will not be doubled.

Purchase Limits

There are Idaho Code and IRS limits on the amount of service you may purchase. Idaho Code states that your PERSI benefit, including the part resulting from your purchase, cannot exceed your 3-year average salary at time of retirement. The IRS limitation should affect relatively few PERSI members—only those who will have very large monthly benefits. If you are a highly compensated employee, check with PERSI prior to your purchase.

Estimating Your Cost to Purchase Service

Using our Purchase of Service Calculator on our Web site at **www.persi.state.id.us**, you can estimate how different purchases would affect your benefit and how much a purchase would cost you (buying 6 months would cost me $14,000, buying 48 months would cost me $110,000, etc.). You may enter multiple scenarios into the calculator to see if any of the outcomes suit your needs.

If you want to save for your purchase over several years, you may use the calculator to estimate the monthly savings amounts needed for the purchase.

Unused Sick Leave

Unused Sick Leave applies only to employees of the State of Idaho, junior colleges, and participating school districts and political subdivisions. If you are unsure if your employer participates, contact your payroll or personnel office.

At time of retirement, you may convert a portion of your unused sick leave into a cash equivalent to pay for retiree medical insurance premiums after retirement. The payments from this program continue until your unused sick leave account is depleted. The formulas used to determine the amounts vary. State and school employees, see below. Political subdivision employees, check with your employer for your formula.

You must be eligible for retirement to utilize unused sick leave. If you terminate work and want to defer your retirement, you must check with your employer and/or insurance carrier to ensure that you will be able to remain on or go back on the insurance at time of retirement.

PERSI does not administer medical insurance. Your employer must report the cash value of your unused sick leave to PERSI.

Unused Sick Leave Formula – Participating School Employees Only

Days of Unused Sick Leave / 2 x your daily rate of pay at time of retirement.

For school employees there is generally no limit on the number of days allowed. Check with your employer.

Unused Sick Leave Formula – State of Idaho Employees Only

Maximum allowable hours of Unused Sick Leave / 2 x your hourly wage at time of retirement.

State employees have a maximum allowable unused sick leave depending on state service hours as follows:

Maximum Allowable Unused Sick Leave Hours

State Employees Only

Credited Hours of State Service	Estimated Years of State Service	Minimum Hours of Sick Leave Needed to Get Maximum Sick Leave Entitlement	Maximum Allowable Sick Leave Hours
0 - 10,400	5	480	240
10,401 - 20,800	5 - 10	960	480
20,801 - 31,200	10 - 15	1080	540
31,201 and over	15 and over	1200	600

Examples with a rate of pay of $10.00 per hour:

480 ÷ 2 =	240 x $10.00	= $2,400.00	Up to 10,400 hours of state service
960 ÷ 2 =	480 x $10.00	= $4,800.00	10,401 - 20,800 hours of state service
1080 ÷ 2 =	540 x $10.00	= $5,400.00	20,801 - 31,200 hours of state service
1200 ÷ 2 =	600 x $10.00	= $6,000.00	More than 31,200 hours of state service

Getting Ready to Retire

Obtaining A Retirement Estimate

If you are within three years of retirement, you may request to have a retirement estimate calculated for you. It will include estimates of the dollar values of the different retirement options. The estimate amounts may be different than the amounts projected on your annual account statement because the estimate will require a more in-depth look at your record.

One thing to remember is that an estimate is just that—an estimate. Your actual retirement benefit can not be determined until you actually retire and we receive final paperwork from your employer. If, in a rare instance, you receive an estimate that is higher than your actual benefit amount, PERSI cannot pay more than allowed by law.

Retirement Counseling

PERSI provides individual retirement counseling. As you approach retirement, it is important that you feel comfortable about this phase of your life. If you are within a year of retirement, call to make an appointment to meet with a Member Services Representative. All discussions are confidential.

Group Retirement Workshops

PERSI offers group retirement and investment education presentations to help you plan for the changes that retirement brings. The workshops cover all aspects of PERSI Base and Choice Plan benefits, Social Security, Medicare and medical expenses, taxes, estate planning, and more. Watch for information in your quarterly newsletters on when presentations will be in your area. Or view our schedule on our Web site.

Applying For Retirement

PERSI retirement is always effective on the first day of the month.

Submit to PERSI **before the effective date of your retirement**:

- Your application for retirement (**RS-121 Retirement Application**),
- Verification of date of birth,
- Termination notice provided by your employer (**RS-109 Notice of Separation**).

You will receive your first benefit check the month following your retirement date. Your retirement date is the first day of the month following the date you end your public employment unless you choose to defer your retirement to a later date.

Example

If your last day of work is June 17:

- Your retirement date is July 1,
- Documents need to be submitted to PERSI by June 30,
- You will receive your first benefit check August 1, for July and August benefits. After the first check, payments are made monthly.

Taxes On Retirement Benefits

Federal Income Tax Withholding

Retirement benefits are generally taxable under IRS tax code. At the time of your retirement, PERSI will provide you with an IRS withholding form W-4P. Unless you specify "no withholding" on the form or choose a specific marital status and number of exemptions, the federal income tax on your monthly benefit will be withheld at the rate appropriate for a married person with three exemptions.

IRS Publication 575 discusses pension and annuity income tax liabilities. PERSI suggests that you read this publication or review it with a tax expert.

Each January, PERSI provides a 1099-R notice to each retiree. This is a statement of the gross allowance paid to you and taxes withheld for the past year. You will also receive notification any time the net amount of your benefit changes.

Taxes have already been paid on Base Plan contributions made prior to July 1, 1983. If you made contributions prior to that date, a percentage of your monthly retirement allowance will not be taxable until those taxed contributions have been paid out to you.

Idaho State Tax

PERSI retirement benefits paid to Idaho residents are subject to Idaho state income tax, with certain amounts deductible based on individual tax filing status. According to the Idaho Tax Commission, PERSI benefits paid to retirees living outside Idaho are not subject to Idaho state income tax withholding.

PERSI will deduct Idaho state income tax from your retirement payments if you authorize withholding by completing an **RS-322 Tax Withholding** form.

PERSI staff is not qualified to provide individual tax advice or information. Questions concerning taxes should be directed to a tax professional or the appropriate taxing agency.

Direct Deposit of Base Plan Retirement Benefits

We encourage you to join the 85% of PERSI retirees who have their monthly Base Plan benefit checks deposited directly into a bank account instead of having it sent through the mail.

With direct deposit, your check is safely deposited into your account on the first day of the month, saving you time and effort and saving PERSI money. Direct deposit eliminates the possibility of delayed, lost or stolen checks, and direct deposit funds are available for use earlier than funds sent by check through the mail.

To begin direct deposit, obtain a direct deposit form from any PERSI office or our Web site, and return it with a voided deposit slip from your financial institution.

Continuing NCPERS Life Insurance After Retirement

If you participate in the NCPERS (Prudential) group term life insurance program as an active PERSI Base Plan member, the coverage may be continued into your retirement. The monthly premium will be deducted from your retirement allowance.

You cannot enroll in the NCPERS program after retirement.

PERSI does not administer the NCPERS program. For enrollment information, contact your payroll clerk.

If you wish to cancel your NCPERS insurance, contact the program administrators:

Gallagher Byerly & Company
7600 E. Orchard Road, Ste 250 S
Greenwood Village, CO 80111
Phone: 1-800-525-8056

Cost Of Living Adjustments (COLAs) Keep Your Pension Apace With Inflation

PERSI applies a Cost of Living Adjustment (COLA) to Base Plan retirement benefits effective March 1 each year to help keep payments equal with inflation.

All PERSI retirees currently maintain 100% purchasing power because of COLAs. This means that retirees' benefits are worth 100% as much today as they were the day they retired, even if they retired 30 years ago. Most private sector retirees receive no cost of living adjustments at all, so over time, their purchasing power drops considerably.

The COLA is tied to the Consumer Price Index (CPI) and may not exceed the CPI or 6%, whichever is less. The COLA is also tied to the growth in the retirement fund's assets. The Retirement Board cannot declare a COLA unless PERSI's actuarial assets exceed its actuarial liabilities, including the cost of the COLA. The COLA is also subject to amendment or rejection by the Legislature.

The first year you are retired you will receive a percentage of the full COLA depending on how much of the year you were retired.

Example

If you retired September 1, you were retired 50% of the year between March 1 and March 1, so if the COLA was 6%, you would receive 3%.

Retirement Checklist

If you're thinking about retiring in a few years, you should also start thinking about the steps you need to take to make your transition into retirement as smooth as possible. Here is a checklist of things to help you plan a successful retirement and the documents needed to complete PERSI's retirement process.

Throughout Your Career

- Review your Base Plan annual statements for accuracy. Contact PERSI if you have any questions.
- Review your quarterly Choice Plan statements for accuracy and to see if you want to increase your voluntary contributions or change your investment mix.
- Evaluate your personal finances regularly including assets, liabilities, insurance, and investments.
- Attend PERSI's Retirement and Investment Education Presentations.

Three Years Before Retirement

- Call PERSI to receive a Base Plan benefits estimate, and to verify your service history.
- Contact Social Security to verify work history and to receive an estimate.
- Attend a PERSI retirement presentation.

One to Two Years Before Retirement

- Call PERSI to receive an updated Base Plan benefits estimate, and to discuss your options for Choice Plan payments after retirement.
- Contact Social Security
  - to verify work history and to receive an estimate (Needed to estimate PERSI Options 3, 4A, and 4B).
  - to find out procedures on applying for benefits and Medicare enrollment (parts A & B).
- Contact any other tax-deferred annuity agents or financial planners to discuss other retirement income. (Take PERSI Base and Choice Plan and Social Security estimates with you.)
- Consult with a tax specialist about the tax consequences of various pension payments.

Six Months Before Retirement

- Inform your employer of the date you plan to retire.
- Ask your payroll clerk the cash value of your unused sick leave if you are an employee of a state agency or an eligible school district or political subdivision. Your employer will inform PERSI of the amount the last month you are paid.
- Ask your payroll clerk for a retiree health insurance enrollment form. State employees may obtain a retiree insurance request card from the Office of Insurance Management (208-332-1863 or 1-800-531-0597). Ask for a comparison of insurance rates between Retiree Medical Insurance and COBRA.
- Contact PERSI to receive an updated Base Plan benefits estimate and to request a retirement application.
- Send PERSI a copy of your Social Security card and birth certificate. (If you select an option with a Contingent Annuitant benefit, also send a copy of your Contingent Annuitant's Social Security card and birth certificate.) We may make copies at our office if you would like to bring in the documents.
- Provide PERSI with divorce decree (if any), if you were married while an active PERSI member and are divorced or divorcing.
- If age 62 or older, formally notify Social Security of your retirement plans.
- If you have NCPERS Insurance, check with your employer about continuing this after retirement.

Two Months Before Retirement

- Make an appointment to meet with a PERSI Member Services Representative (with your spouse). This is not required, but can be very helpful.

- Select a retirement option and prepare your application package (W4-P, state withholding, direct deposit, and retiree insurance forms). If you mail your application, your signature and your spouse's must be notarized. If you meet with a PERSI representative to complete your application, bring your spouse with you so that his/her signature may be notarized. We advise you to submit all forms to PERSI 45 days prior to your planned retirement date, although we can process your retirement in less time if needed.
- Provide PERSI with other materials: Medicare cards, deposit slip from your bank, etc.
- Visit Social Security office with your spouse (if retiring at age 62 or over).
- Contact your payroll representative to finalize insurance arrangements, if any.

During Your Last Pay Period

- If you may use Unused Sick Leave to pay retiree medical insurance, remind your payroll clerk to advise PERSI of the cash value of your unused sick leave entitlement.
- School district employees: ask your payroll clerk for a retiree health insurance form.
- State employees: contact Group Insurance for an Insurance Benefits Request form. If not done earlier, ask for a comparison of insurance rates between Retiree Medical Insurance and COBRA.

Before Retirement Effective Date

- Make sure your employer sends an **RS-109 Notice of Separation** to PERSI. Your retirement cannot be finalized without it. It must be received by the last working day of the month prior to your retirement date or your first payment may be delayed.

Retirement Application Forms

Although we try to make your retirement as easy as possible, a variety of forms are needed to complete the process. Please contact PERSI to receive the forms. Anytime you send a document to PERSI, please be sure your name and Social Security number are somewhere on the document.

Application for Retirement RS-121

Allows you to select a retirement allowance and, if you wish, to name a Contingent Annuitant to receive a monthly allowance following your death. Signatures on this form must be notarized.

Choice Plan 401(k) Distribution Kit

Allows you to select a payment option for your 401(k) funds. This form is only available by calling the Choice Plan phone (Toll-free 1-866-ID-PERSI) or via **www.persi.state.id.us/choice.htm**.

Retiree Insurance Benefits Request For qualifying State and school employees only.
Allows you to continue coverage in the group medical plan.
State employees: contact the Office of Insurance Management for this form at 208-332-1863 or 1-800-531-0597.
School employees: contact your payroll/personnel office for the form.

State Tax Withholding Certificate RS-322 Optional
Allows you to withhold Idaho state income taxes from your monthly allowance.

Federal Tax Withholding Certificate W-4P Optional
Allows you to withhold federal income taxes from your monthly allowance. If this form is not completed, PERSI is required by the IRS to withhold at the rate of "married with 3 exemptions."

Direct Deposit Authorization RS-448 Optional
Allows you to deposit your monthly checks directly in your financial institution. A voided deposit slip is required.

Beneficiary Designation RS-115 Optional, but recommended
If you have not updated your PERSI Beneficiary Designation lately and have had major life changes (marriage, divorce, death in the family, etc.), you may wish to name a new beneficiary to receive any possible death benefit. At retirement, you may want to make sure that your beneficiary and Contingent Annuitant are not the same person.

Notice of Separation RS-109
Your employer must submit this prior to your requested retirement date for PERSI to process your retirement.

Additional items needed to complete retirement

Unless indicated otherwise, send photocopies of documents.

Birth Certificate or acceptable substitute
Required to verify your age.

Social Security Card

Contingent Annuitant's Birth Certificate or acceptable substitute
Required if you select a Contingent Annuitant to verify his or her age.

Contingent Annuitant's Social Security Card
Required if you select a Contingent Annuitant.

Medicare Card School and State employees only
Necessary if you elect to continue coverage in the group medical plan and have Medicare.

Estimate of Your Social Security Benefit from Social Security
Required if you are considering PERSI Retirement Allowance Options 3, 4A, or 4B.

Voided Deposit Slip from your Financial Institution Send original, voided, deposit slip, not photocopy
Required only if you choose to have your monthly allowance deposited directly in your financial institution.

Divorce Decree
If you were married at any time while you were an active PERSI member and are divorcing, your spouse may be legally entitled to part of your PERSI benefit.

Divorce And Your PERSI Accounts

Base Plan

If you were married while an active, contributing member of the PERSI Base Plan, your spouse may be legally entitled to a portion of your retirement accounts and/or benefits should you divorce.

An Approved Domestic Relations Order (ADRO) must be obtained to divide PERSI benefits.

If you are applying for a retirement or separation benefit, a copy of your divorce decree may be required.

Choice Plan

Should you divorce, a separate ADRO will be required to divide your Choice Plan assets.

For information, contact PERSI or an attorney experienced in divorce matters.

Attachments for Child Support or Federal Tax Liens

Idaho law provides for court-ordered attachment of PERSI annuities and separation benefit payments for the purpose of delinquent child support payments. Attachments may also be made for federal tax liens.

Should your payments be attached for child support or a federal tax lien, funds will be deducted from your benefit and forwarded to the appropriate agencies.

Social Security

Because PERSI does not administer Social Security benefits, we cannot answer questions relating to Social Security.

Please contact the Social Security Administration directly with any questions you may have. Call Social Security toll-free at 1-800-772-1213, visit their Web site at **www.SSA.gov**, or to find your local office look in the phone book under United States Government.

Address Changes

Be sure to keep PERSI informed of your current address.

Active Members

If you are an actively working member, we receive your address information from your employer. Please submit address changes to your employer payroll office.

Inactive Members and Retirees

If you stop PERSI-covered employment, please submit address changed directly to PERSI. This is particularly important if you leave your funds in the system. All too often, people who have left PERSI do not keep us informed of their address, and we are unable to find them when it comes time for us to pay benefits. PERSI has thousands and thousands of dollars payable to people we cannot locate. Don't let this happen to you—keep us informed of your address. Address changes must be submitted in writing and must include your Social Security Number.

Address change forms are available on our Web site or at any PERSI office.

Appeals and Hearing Process

If you believe you have been denied a right or benefit to which you believe you are entitled regarding your membership, benefits, service, contributions, or refunds, you should do the following:

1. Read this handbook and other written materials provided by PERSI to see if your question is answered to your satisfaction.

2. If not, contact the PERSI office in your area to speak with a Member Services Representative. He or she will be able to explain PERSI laws, rules and procedures to you.

3. If after steps 1 and 2 you still feel you have been denied a right or benefit, or disagree with a decision made by a PERSI staff member, you should direct your question in writing to PERSI's Executive Director.

   Your letter should include your name, address, telephone number, Social Security number, your work location (if applicable), a complete description of your question and the facts of your situation. If possible, include copies of any relevant correspondence or documentation. You will receive a written response with the Executive Director's decision, which will state if it is a "final decision." If it is a final decision, proceed to Step 5.

4. If after receiving a written decision that is not a "final decision" you still disagree with the Director's decision, you may seek review from the Retirement Board.

   You must submit a written request for review addressed to the Board or to the Executive Director. Your letter should state the decision you are asking the Board to review and the action you are requesting the Board to take. If possible, include points of law pertaining to the situation.

   The review will be scheduled for a regular meeting of the Board. You will be informed of the review date, and will be given additional details regarding the review process.

   After considering all the background information and your request for review, the Board will vote to uphold, reverse, or amend the Director's decision. This is a final decision. You will be notified of the action taken, and of your further right to appeal if you are dissatisfied with the Board's ruling.

5. If you still disagree with the final decision, you may request a contested case hearing in which disputes are presented before a hearing examiner. This request must be received within 90 days after issuance of the Board's decision.

   When you request a hearing, a hearing examiner will be assigned and a date will be set for the hearing. You may bring an attorney if you wish, and you may also bring witnesses to testify. PERSI will bear the cost of the hearing examiner, and the PERSI attorney. You are responsible for any expenses for your attorney and witnesses as well as your travel and incidental expenses. To request a hearing, contact PERSI's Executive Director in writing.

6. If the hearing examiner finds against you and the Retirement Board agrees after reviewing the administrative hearing record, or if the Board refuses to accept a recommendation of the hearing examiner in your favor and denies your request, you have the right to appeal the Board's decision to Idaho courts.

Disability appeals differ slightly. Ask a PERSI Member Services Representative for more information.

These procedures are designed to ensure your rights under the Retirement Code.

Sources of PERSI Information

Our Offices

We have offices in Boise, Pocatello and Coeur d' Alene. You may visit any office to have your questions answered. You may want to call ahead to make an appointment to ensure that the best person to help you will be available. Phone numbers and addresses are listed on page 2.

Web Site

An extensive and ever-increasing amount of PERSI Base and Choice Plan information is available online at **www.persi.state.id.us**.

E-Mail

E-mail our "front desk" at **fdesk@persi.state.id.us** and our receptionist will forward your message to the person who is best able to assist you. Or, if you know the name of the person you want to e-mail, type their first initial and up to seven letters of their last name and **@persi.state.id.us**. For example, Executive Director Alan Winkle's e-mail address is **awinkle@persi.state.id.us**.

Idaho Code

The statutes covering the retirement system can be found in Title 59, Chapter 13, Idaho Code. For legal definitions, please refer to PERSI's Statutes and Rules, available on our Web site or from any PERSI office.

Telephone

Please call us if you wish. Phone numbers are listed on page 2.

Individual Counseling

If you are within three years of retirement, you may make an appointment to meet with a Member Services Representative to discuss your retirement questions. Call the office in your area for an appointment

Presentations/Workshops

We offer a number of different in-person presentations, from "PERSI 101" covering the basics of the Base and Choice Plans, "PERSI 202" for those interested in learning about investment strategies and financial planning, and "PERSI 505" for those within five years of retirement.

Your employer can arrange to have a group "101" or "202" presentation on site at your work location. If interested, ask your personnel or payroll clerk to arrange a presentation.

For all classes, check our schedule online to see when we'll be in your area.

Newsletters

PERSpectives newsletters for PERSI's active and retired members are mailed to you each quarter.

Annual Report

This is a comprehensive annual financial report which includes the independent auditor's report of the system's financial statements, a summary plan description and information on the system's actuarial status and investments. Copies are distributed to all PERSI employers and it is available on our Web site.

Employer Newsletters

Each month PERSI distributes a publication to all employers which covers personnel and payroll issues relating to the retirement system. It is an ongoing employer "manual" to assist employers with PERSI procedures, statutes and administrative issues. It is available on our Web site.

Frequently Asked Questions

Q: If I had my contributions to invest on my own I could make a lot more money. Why do I have to contribute to PERSI?

PERSI now has two plans—the mandatory Base Plan and the voluntary Choice Plan.

The Base Plan is a Defined Benefit plan where membership is mandatory for eligible employees of employers belonging to PERSI. The reason for this is that PERSI is intended to be a method for public employees to ensure their own retirement security.

You might very well be able to make more money if you could invest your contributions on your own; however, countless studies show that most Americans have not and are not investing or saving for their retirements as they should. And all too often, those who do invest on their own do so very conservatively, earning only about half of what is needed for retirement. PERSI's portfolio is handled by professional investment experts worldwide to ensure that PERSI will be able to provide you with a secure, long-term retirement income.

When you retire, the Base Plan will pay you every month for as long as you live. If you choose a Contingent Annuitant, after you die he or she will continue receiving a benefit for the rest of his or her life.

You "make back" every dollar you put into your PERSI Base plan within about your first 3 1/2 years of retirement. For instance, say you put $60,000 into PERSI's Base Plan during your career. If your monthly Base benefit is $1,500, you will receive your $60,000 back in just over three years. But, we will continue paying you that $1,500 (plus yearly Cost of Living Adjustments) every month for the rest of your life. If you are retired for another 30 years, you will receive another $540,000 from PERSI (plus COLAs).

The Choice Plan includes a unique governmental 401(k) plan. You are able to make contributions to the voluntary Choice plan. You can decide how much to contribute and have several investment options from which to select. When you retire, you may use your Choice funds to supplement your Base payments. You may withdraw your Choice funds in a lump sum or as a stream of payments.

PERSI's Base plan is a guaranteed, secure portion of your retirement income, and with the PERSI Choice plan, you can invest and save on your own.

PERSI's Base plan and Social Security were never meant to provide you with your entire retirement income. They are just two legs of the retirement "footstool." A PERSI retiree with 30 years of service who also receives Social Security may expect the two to provide a replacement income of between 83 - 96%. For the average PERSI retiree however, PERSI and Social Security together provide only about 50 - 60% replacement income. Your investments must make up the rest.

Therefore, we encourage you to participate in the Choice plan. If your employer also offers a 403(b) or 457 Deferred Compensation plan, you may want to participate in those as well, but you must be aware of the IRS limits applicable to those plans.

Q: I'm only going to be at this employer for a couple of years, not retire from here, so why do I have to pay retirement contributions?

PERSI is intended to provide pension benefits to career public employees. The longer you work for PERSI employers, the greater your retirement benefit will be.

And although you may not plan on being a public employee your whole career, if you belong to PERSI as little as five years you can receive a lifetime benefit at retirement. And that five years need not be all at once or with one employer. More than 650 different employers across the state belong to PERSI. You may find yourself working for a city, then the state and then maybe a highway district at different points in your career.

Frequently we hear about people who didn't think they would be at their place of work for more than a few years, but who end up staying a long, long time. The average length of service for PERSI members is about 10 years, and this increases every year. The average length of service for a PERSI retiree now is 18 years.

Another thing to consider is that, in addition to retirement benefits, your contributions are also providing you with disability "coverage." If after five years with PERSI you become totally disabled and are not able to work, you may receive a lifetime disability benefit. About 65% of PERSI members end up receiving lifetime retirement or disability benefits from PERSI.

Should your PERSI-covered employment end up being less than five years total, your contributions are still yours. You may withdraw that money, plus interest (although tax penalties and withholding apply), or you may roll over your money and interest to an IRA or another qualified plan and still use it for retirement.

Q: I have a hard time understanding how I benefit from PERSI. Can you explain it to me?

If you're a long way from retirement, it can be difficult to picture the benefits of belonging to PERSI. Americans are very accustomed to immediate gratification and are uncomfortable with the idea of waiting 20 to 30 years for results.

Experience with thousands of members has shown us that as you get closer to retirement, you will start to look forward to the PERSI benefits you will be receiving, and once you're retired you'll love PERSI. We continually hear from retirees how happy they are to receive their PERSI payments each month. Many retirees say they don't know how they'd get by without it.

But if you are many years from retirement, perhaps these points will help you understand PERSI more:

- Once earned, PERSI Base benefits are guaranteed.

- When you retire, PERSI will pay you every month for as long as you live, and if you choose a Contingent Annuitant, after you die that person will continue receiving a benefit for the rest of his or her life.

- Your PERSI contributions are tax-deferred. You do not pay taxes on them until you retire, when you should be in a lower tax bracket. Also, this makes your current taxable income lower. If you were to receive your contributions and wanted to invest them on your own, you would be taxed on them first.

- Payroll deduction is often considered the most "painless" way of saving for retirement. Financial planners will tell you to "pay yourself first," which is basically what PERSI does. Your contributions are taken out before you're taxed.

- Should you leave PERSI, your contributions and interest are yours. You may roll your money to another plan or IRA or withdraw the funds.

- Your PERSI contributions are invested by highly-qualified professionals to ensure that you will receive a secure pension for the rest of your life.

- PERSI is not funded or managed like Social Security. PERSI is designed as a pre-funded plan to pay every future benefit that has been earned to date. PERSI is not a "pay as you go" system. It is designed so that the future value of benefits are funded as benefits are earned today. Future generations will not have the burden of paying for benefits earned today.

- Your PERSI contributions are secure and protected by federal and state law. PERSI funds may only be used for the benefit of PERSI members.

- With PERSI's Gain Sharing, you may share in PERSI's investment earnings by receiving a payment into your individual Choice plan account.

- With PERSI's Choice plan, you contribute on your own to save for retirement. You may choose how much to invest and where to invest your Choice funds.

Glossary

Active Member
You are an active member if you are currently working and making contributions to PERSI .

Base Period
A period of consecutive months during which you received your highest average salary. The base period is used in the calculation to determine your Base Plan retirement benefit.

Base Plan
PERSI's mandatory "Defined Benefit" Plan providing a guaranteed lifetime benefit at retirement.

Beneficiary
The person named by you to receive a lump sum payment at the time of your death. If your beneficiary is your spouse and you are vested to a retirement benefit, your spouse may have the choice of a lump sum or optional death benefit to last for his or her lifetime.

Choice Plan
PERSI's Choice Plan is a "Defined Contribution" plan. It includes any Gain Sharing payments you receive from PERSI as well as voluntary payments you contribute on your own to invest for retirement.

Contingent Annuitant
The person named by you when retiring to receive a monthly benefit allowance upon your death. Also known as a "CA."

Credited Service
The months that are counted toward retirement. Credited service includes eligible membership, military, disability, or prior service.

Disability Service
If you become disabled, this is the number of months between the date you became disabled and your service retirement age. The time is automatically credited to your retirement when you are declared disabled. After adding disabled service, total service may not exceed 360 months.

Elected or Appointed Official
A person who receives a salary for serving in an elected or appointed position. If you are elected or appointed, but do not receive salary, you are not eligible for PERSI.

Employee Contributions
The money you pay into the retirement system which is credited to your accounts. Employee contributions to the Base Plan are mandatory, while contributions to the Choice Plan are voluntary.

Employee Member
An employee who is an active member of PERSI.

Employer
An employer belonging to the PERSI retirement system. If you work for a PERSI employer and meet eligibility requirements, you become a PERSI member.

Gain Sharing
In years when PERSI has excess funding we may share excess earnings with you through gain sharing.

General Member
You are a PERSI general member if you are not a Police/PERSI Firefighter. General members have a service retirement age of 65, a minimum retirement age of 55, and your age and years of service must total 90 to retire early with an unreduced benefit.

Inactive Member
You are an inactive member if you are no longer an active member (no longer working for a PERSI employer), but your contributions plus interest are still in PERSI.

Interest
Interest which is credited to your Base Plan account. The interest rate is equal to PERSI's investment return rate. If the investment return is less than a yearly average of 90-day Treasury Bills, interest will be at least equal to that T-Bill average.

Membership Service
Eligible employment since July 1, 1965, for which contributions have been made.

Military Service
Time spent in active military duty that is eligible for retirement credit. It must interrupt PERSI-covered employment.

PERSI
An acronym for the Public Employee Retirement System of Idaho.

PERSI Firefighter
You are a PERSI Firefighter if you are a paid firefighter hired on or after October 1, 1980, and will retire under the PERSI plan (instead of the Firemen's Retirement Fund plan). Your service retirement age is 60, your minimum retirement age is 50, and your age plus years of service must equal 80 in order to retire with an unreduced benefit.

Police Officer Member
A PERSI Police Officer member has a service retirement age of 60, a minimum retirement age of 50, and age plus years of service must equal 80 to retire early with an unreduced benefit.

Pop-Up
A pop-up provision raises your reduced retirement benefit back to a regular retirement allowance if you were active July 1, 1992, or later and retired October 1, 1992, or later and chose Option 1,2, 4A, or 4B and your Contingent Annuitant dies before you do.

Prior Service
Eligible public employment before July 1, 1965, which may be credited toward your retirement.

Retired Member
You will be a Retired Member when you retire from PERSI.

Retirement Options
There are six retirement allowances from which a member may choose. Each option provides a different way in which the member and/or the Contingent Annuitant may receive the retirement benefit.

Rollover
Moving the tax-deferred portion of your retirement contributions and interest from your PERSI accounts into another tax-deferred plan such as an Individual Retirement Account (IRA). The money is "rolled over" to avoid a 10% federal excise tax penalty, a 20% federal withholding on lump sum payments, and to defer any other federal, state or local taxes.

Rule of 80/90
You may receive an unreduced retirement allowance if your years of service, plus your age equal 90 (general member) or 80 (police/firefighter), and you meet the minimum early retirement age of 55 (general) or 50 (police/firefighter).

Separation Benefit
A lump sum payment of your Base Plan contributions plus interest after termination of PERSI employment. Subject to a 20% federal tax withholding unless rolled over to another tax-deferred plan. Also subject to a 10% federal excise tax if you are under age 59 1/2.

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